Annual Report 2020

Henderson High Income Trust plc

Seeking superior income generation and long-term capital growth

MANAGED BY
Janus Henderson
INVESTORS

Objective

The Company invests in a prudently diversified selection of both well-known and smaller companies to provide investors with a high dividend income stream while also maintaining the prospect of capital growth.

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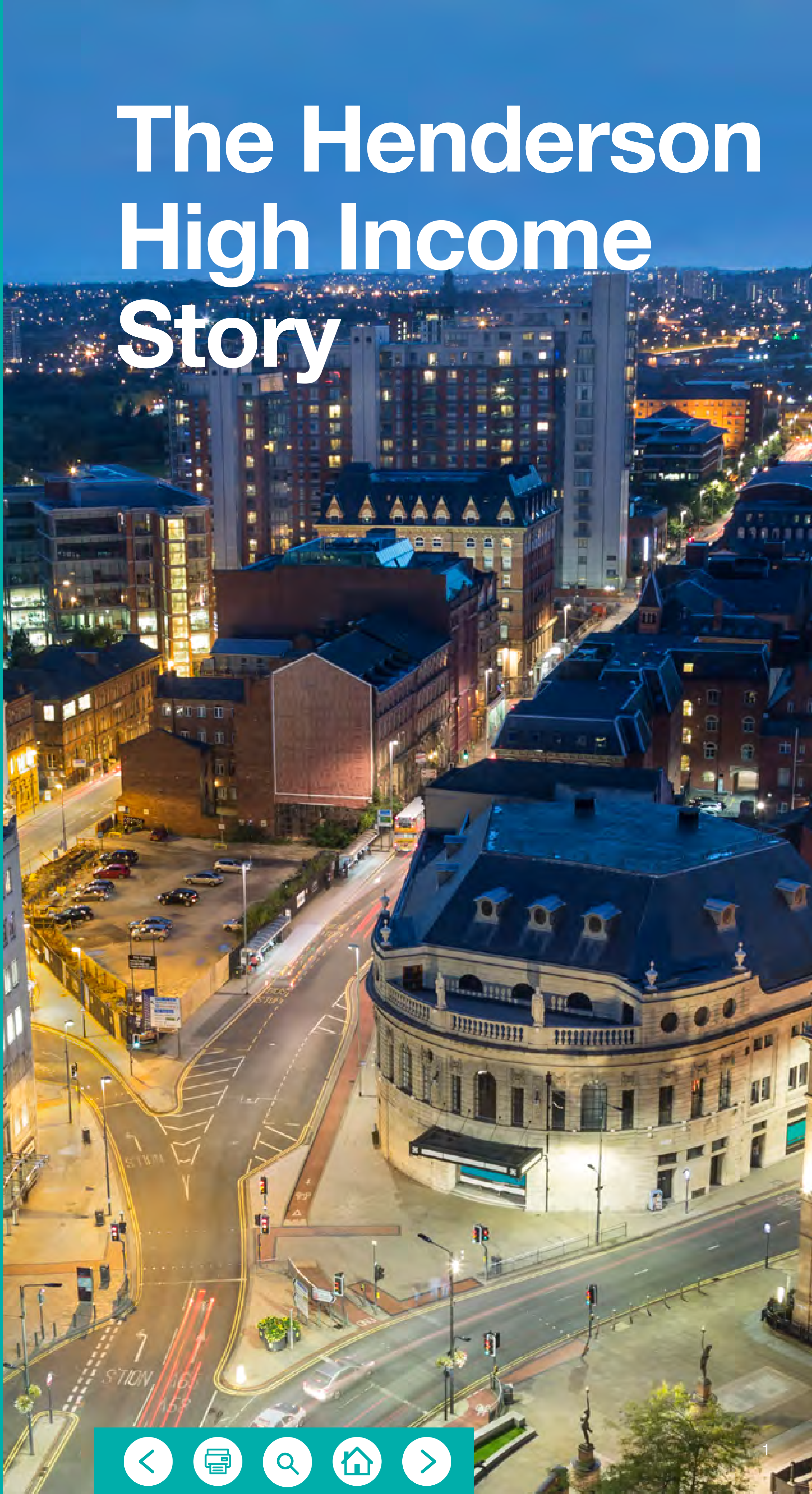
The Henderson High Income Story



What we look for in Companies

The Company invests in a prudently diversified selection of both well-known and smaller companies to provide investors with a high dividend income stream while also maintaining the prospect of capital growth. To gain a full understanding of these companies, the stock selection process places emphasis on examining what each company does, its market position and the dynamics of that market. Combining this with analysis of the company's financial health provides valuable insight into the company's ability to not only sustain its dividend but grow it in the long-term, a crucial element for generating total returns for shareholders. The stock selection process is broken down into three key component parts; fundamentals, financials and valuation.

Fundamentals

Analysing a company's fundamentals is the starting point to understanding its qualities and whether its business is sustainable in the long-term. Emphasis is placed on assessing the company's strength of industry position, barriers to entry, senior management and their ability to sustain or improve a company's performance. Greater weight is given to long-term views over short-term considerations and trends in the market or sector.

The following key attributes are typically looked for:

- Robust and understandable business models
- Good earnings visibility
- High barriers to entry
- Market leadership
- Strong franchise
- Good ESG risk management
- Proven management teams

Financials

The second step is to gain a clear understanding of the company's financial health and its ability to invest for future growth, sustain profitability and return value to shareholders. In particular, focus is given to:

- Sustainability of profits
- Robust balance sheets
- Well-invested asset base
- Strong cash generation
- Sensible dividend policy

Valuation

Valuation is the final part of analysing a company but underpins the whole process. Even when companies with strong fundamentals and financials are found, their valuations also need to be attractive, otherwise capital appreciation may be limited. Various valuation metrics are used, such as price to earnings ratios, to assess whether the qualities we have identified in a company are discounted in the current share price.

By applying this disciplined stock selection process, the Company benefits from a well-diversified portfolio of good quality companies in strong financial health that can pay and grow their dividends, but also offer the potential for capital growth over the long-term.

Diversification of Income

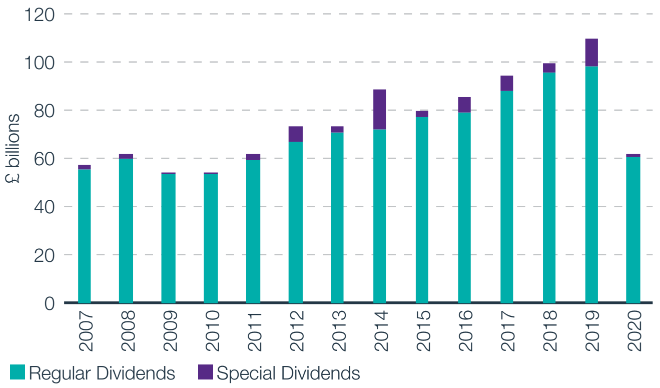
“Do you know the only thing that gives me pleasure? It’s to see my dividends coming in.”

John D Rockefeller

John D Rockefeller, who famously said the above, would have been horrified to see the list of companies that cut, abandoned or deferred dividend payments last year, whether as a matter of choice or as a result of political pressure. At one point during 2020, 157 UK companies within the FTSE 350 had either suspended or cut dividends, although some of these dividends were reinstated.

By the end of 2020, total market dividend payments for the FTSE All-Share had fallen by 44%, the worst year for income in living memory.

UK market dividends fell significantly in 2020



Source: Link UK Dividend Monitor

While it was unavoidable for investors’ income not to be impacted last year, it does highlight the importance of diversifying a portfolio’s income stream and the advantages of an investment trust structure.

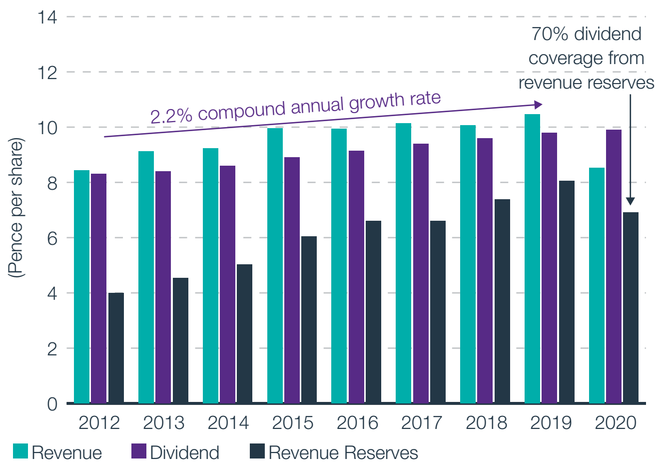
Asset Allocation

The Company’s ability to allocate a portion of its portfolio to fixed interest securities differentiates it from most other equity income investment companies. The bond portfolio provided an incredibly valuable source of alternative income during 2020, maintaining its level of revenue generated for the Company, as companies chose to prioritise the payment of bond interest over dividends during the pandemic. While the Company’s equity portfolio was not immune to dividend cuts last year, having a diversified portfolio and not being over reliant upon any one stock or sector for income meant that the Company’s revenues were more resilient than the overall market, down 17% (excluding special dividends) in total for the Company. The Company also benefitted from having a more defensive positioning, favouring companies in sectors such as consumer staples, utilities and healthcare where dividends continued to be paid. The Company’s ability to invest up to 20% of gross assets overseas allowed it to diversify the portfolio geographically which further supported income as the dividends from some overseas holdings fared better than their UK counterparts.

Revenue Reserves

In contrast to open ended funds, investment trusts have the valuable advantage of being able to retain surplus income and create revenue reserves. They can add to these reserves in more profitable years and pay out of them in leaner years, thereby helping to sustain the level of their dividend payments. Over the last nine years, the Company had built up revenue reserves of over £10 million as at the start of 2020. This robust position enabled the Company to pay a 9.90p per share dividend for the year, 1.0% growth on 2019, despite the shortfall in income in 2020, by utilising a modest amount of those revenue reserves. In comparison, 96% of open ended funds in the IA UK Equity Income Sector cut dividend payments to unitholders. With a diversified portfolio and a good level of revenue reserves still remaining that cover 70%, or the equivalent of over 8 months’ worth, of the annual dividend as at 31 December 2020, the Company is in a strong position at least to maintain its dividend going forward.

Good level of revenue reserves even after 2020



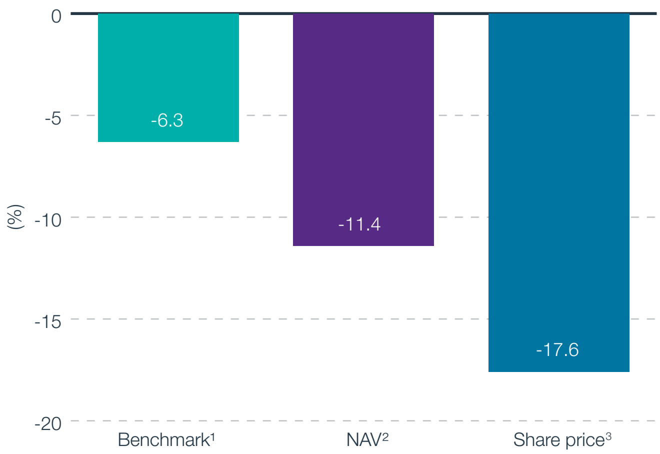
Source: Henderson High Income Trust plc Annual Reports

Performance Highlights

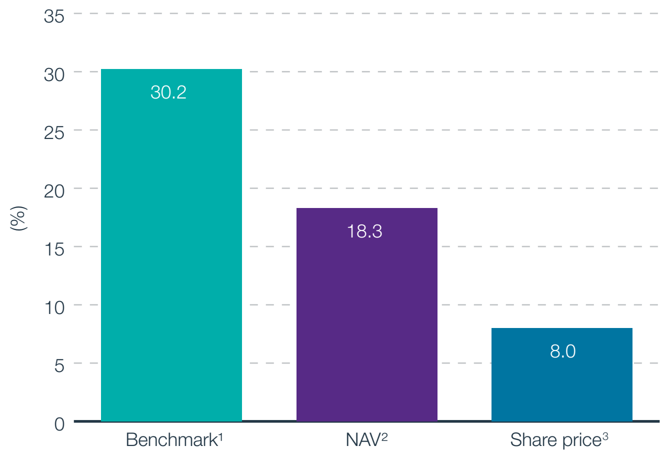
Strategic Report: Performance Highlights

Total return performance to 31 December 2020

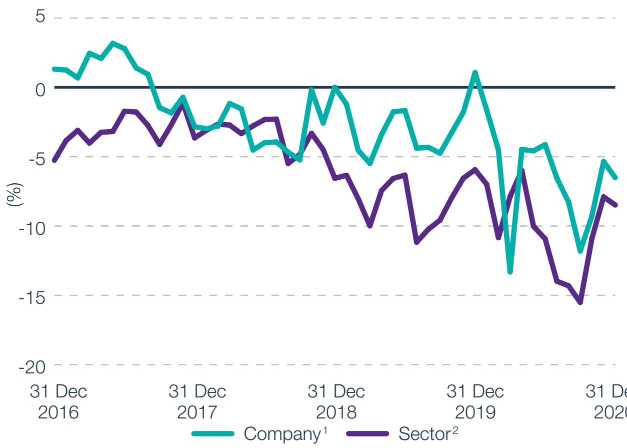
One year



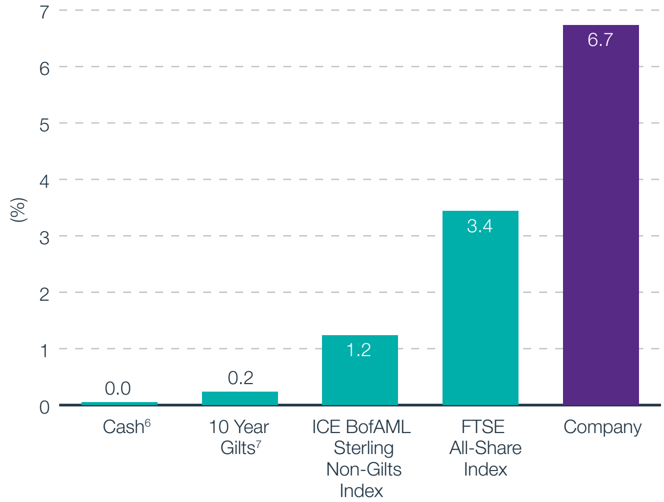
Five years



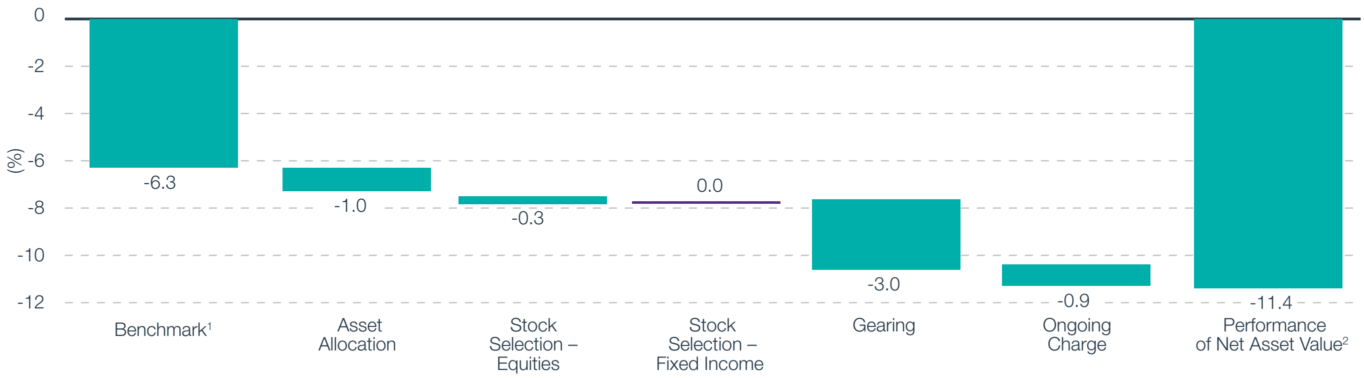
Premium/discount to 31 December 2020



Income yield as at 31 December 2020



Attribution[8] – explanation of movement in net asset value (total return) in 2020



1 The benchmark is a composite of 80% of the FTSE All-Share Index (total return) and 20% of the ICE BofAML Sterling Non-Gilts Index (total return) rebalanced annually
2 Net asset value with debt at fair value per ordinary share total return (including dividends reinvested and excluding transaction costs)
3 Includes dividends reinvested
4 Premium/discount based on net asset value with debt at fair value
5 The AIC Equity and Bond Income sector
6 Cash based on 3 month LIBOR
7 Gross redemption yield
8 Geometric returns

A Glossary of Terms and Alternative Performance Measures can be found on page 85 and pages 86 to 87 respectively

Sources: Morningstar for the AIC, Janus Henderson and Refinitiv DataStream. All data is either as at 31 December 2020 or for the year-ended 31 December 2020

Strategic Report: Performance Highlights (continued)

NAV per share[1]

2020 **157.25p**

2019 **189.76p**

Mid-market price per share

2020 **147.00p**

2019 **191.75p**

Revenue return per share

2020 **8.58p**

2019 **10.59p**

Net assets

2020 **£211.4m**

2019 **£251.1m**

Dividend for the year

2020 **9.90p**

2019 **9.80p**

Dividend yield[2]

2020 **6.7%**

2019 **5.1%**

Ongoing charge for the year

2020 **0.93%**

2019 **0.80%**

Gearing

2020 **22.9%**

2019 **21.5%**

1 Net asset value with debt at fair value as published by the AIC
2 Based on the dividends paid or announced for the year and the share price at the year-end

A Glossary of Terms and Alternative Performance Measures can be found on page 85 and pages 86 to 87 respectively

Sources: Morningstar for the AIC, Janus Henderson and Refinitiv DataStream. All data is either as at 31 December 2020 or for the year-ended 31 December 2020

Chairman's Statement

Strategic Report: Chairman's Statement

Margaret Littlejohns
Chairman

2020 is a year that none of us will forget. The rapid spread of COVID-19 across the globe has radically changed the way that we live and work in ways that we could never have imagined at the start of the year. These have been very challenging and isolating times and, above all, I hope that you have remained well and coped with the pressures of the various lockdowns and restrictions.

Performance

Whilst 2019 saw a very strong performance from the FTSE All-Share Index, delivering a total return of 19.2%, 2020 could not have been more different, finishing this eventful year down by 9.8%. Once the news emerged that COVID-19 was not limited to China but had started to spread globally, world markets experienced extreme volatility. Daily swings in major indices of 5% or more were quite common. From peak to trough during 2020, the FTSE All-Share Index fell 35%. Many other major markets suffered similar dramatic declines, but thereafter they rallied considerably, boosted by the massive coordinated stimulus from both central banks and governments. The early successes in vaccine developments and their subsequent approvals and roll-outs towards the end of the year gave investors confidence in the prospect of a return to more normal times. In addition, the uncertainties created by the elections in the US and by the prospect of a "no-deal" Brexit in the UK subsided by the end of the year and helped support equities. However, there was a large disparity in the total returns of different markets over this 12 month period; the UK equity market was the only major equity market to record an overall fall for the year, while the US market, for example, ended the year up 16%. The FTSE All-Share Index has a heavy weighting to oil and resources stocks and high exposure to many of the more traditional business sectors, including retail, hospitality, travel and leisure, which were greatly impacted by the pandemic. Unlike the S&P 500, the FTSE All-Share Index also has very few technology stocks which have generally thrived as consumers and businesses adapted to social distancing by making more on-line purchases and working from home.

Against this difficult UK market backdrop, the Company's portfolio underperformed its benchmark in 2020, with its NAV total return falling 11.4% versus the benchmark's decline of 6.3%. Both the equity and bond portfolios performed broadly in line with the respective components of the Company's benchmark, but the Company's equity gearing and its underweight position in bonds in relation to the benchmark both detracted from relative performance. In this falling equity market, the Company's gearing naturally exacerbated losses, while bonds performed better than anticipated, as a result of central banks' increased stimulus in response to COVID-19, with the ten year gilt yield falling from 0.8% to 0.2%. The Company's bond portfolio represented 12.5% of the overall portfolio at the close of the year, while the Company's benchmark has a 20% allocation to its chosen bond index. The Company's shares on a total return basis fell by 17.6%, as the share price moved from a small premium to NAV (with debt at fair value) at the beginning of the year to a discount of 6.5% at the end of 2020. This discount reflected in large part the UK market's lack of attraction to investors last year.

While the Company's absolute and relative capital performance has been disappointing, our Fund Manager, David Smith, has successfully protected the Company's income from some of the worst dividend cuts experienced by the market as a whole: the Company's earnings per share fell 19% (including special dividends) from their 2019 level, while total dividends from the FTSE All-Share Index fell 44%. The preservation of income in these challenging conditions has been a priority for the Company, appreciating, as we do, the importance of a regular and reliable stream of income for our shareholders. David has remained committed to this goal and has managed to mitigate some of the worst effects of COVID-19. In particular, he has done this through careful stock selection and the investment of a portion of the portfolio in bonds (albeit a reduced amount in 2020) and increased the exposure to overseas equities. The inclusion of bonds in the portfolio, which help to stabilise the revenue account, remains a differentiating feature of your Company from other UK equity income investment trusts.

Dividends

At the interim stage, the Board reiterated its intention to use its revenue reserves where necessary to maintain its quarterly dividend of 2.475p per share for the remainder of the year. I am pleased now to report that four interim dividends of 2.475p per share have been paid to shareholders, totalling 9.90p per share for the full financial year-ended 31 December 2020. This represents a small increase of 1.0% over the previous year, modestly above the rise in the consumer price index (CPI) of 0.9% for the same period. The dividend yield on the Company's share price as at year-end was 6.7%, considerably higher than the FTSE All-Share Index yield of 3.4%.

The Company is in the fortunate position of being structured as an investment trust and, as such, has the ability to add surplus income to its revenue reserves in the good years and to draw on these reserves to smooth its dividend payments in the more difficult years. 2020 was an extreme example of a difficult year. Unsurprisingly, COVID-19 has impacted the level of dividends received from the Company's portfolio companies in 2020, but as explained earlier, not by as much as the overall market. The Company has needed to draw only

Strategic Report: Chairman's Statement (continued)

£1.7 million from its revenue reserves to contribute to its full year dividend of 9.90p per share.

The Company had been building up its revenue reserves in each of the last nine years. At the end of 2019 revenue reserves exceeded £10 million, representing nearly 10 months' worth of dividend cover. Having utilised a small portion of these reserves to contribute to the dividend shortfall in 2020, we retained a very healthy balance of almost £9 million, well over 8 months' worth of dividend cover at the end of the year.

During the course of the year we have been monitoring the level and sustainability of dividends received from our portfolio companies. David has run frequent stress tests of the Company's revenue account under different scenarios looking several years ahead. Although the outlook for dividends is gradually improving, it is clear that it will take time for income to return to the levels enjoyed in 2019 and we anticipate a continued shortfall this year. Nonetheless, David's medium-term forecasts and the relative robustness of the Company's current reserves gives the Board reassurance that, barring unforeseen circumstances, the Company's dividend can be maintained at the current level, utilising revenue reserves where necessary. It remains, therefore, our intention to continue to pay at least the current level of dividend for the foreseeable future.

As we emerge from COVID-19, the Board's ambition remains to increase the Company's dividend gradually, but it will be subject to investment conditions at the time and whether we determine such an increase to be sustainable in the future.

Gearing

Our policy on gearing is provided in our investment policy (please refer to page 23). Gearing was reduced in the first quarter of 2020, principally by selling US investment grade bonds. At the end of 2020 we had drawn down approximately £30 million of our multicurrency revolving facility. This represented a net reduction in borrowings of about £8 million. Investment of this floating rate facility, combined with the long-term fixed rate senior unsecured note of £20 million, helps to generate additional income and potentially increases the Company's total return to shareholders. Nearly 65% of the Company's borrowings have been used to fund additional investment in bonds within the portfolio and the average yield achieved generated a profitable margin over the Company's average cost of borrowing. The level of gearing allocated to equities (9.0% as at the end of 2020) was therefore considerably lower than the reported headline gearing figure of 22.9%.

In December we negotiated an amendment to, and extension of our existing floating rate revolving facility of £45 million with Scotiabank, due to expire in June 2021. The renewed two-year multicurrency facility is available until December 2022 and, like the previous arrangement, includes the option to increase it to £57 million.

Responsible Investing

Responsible investing relates to how environmental, social and corporate governance (ESG) factors impact a company's long-term sustainability. Analysis of the sustainability of a business and its profits has always been at the core of the Company's investment strategy, and ESG factors are fully integrated into the investment processes employed by the Fund Manager. A more detailed description of the Fund Manager's approach to ESG matters can be found in a new expanded section on pages 34 to 36 of this report, including the Company's ESG risk rating compared to its benchmark.

The Board believes that voting the Company's shareholdings at general meetings is essential to corporate stewardship and is an effective means of expressing its views on the policies and practices of its investee companies. Voting decisions reflect the provisions of Janus Henderson's ESG Corporate Statement and ESG Investment Principles which are publicly available at **www.janushenderson.com** and records the high standards of corporate behaviour that are expected. Ultimately, however, our Fund Manager makes the final decision on any controversial votes, after any necessary consultation with the Board. Janus Henderson will actively engage with those companies that fall below such expectations to encourage improvement over time. However, the final sanction is the divestment of those holdings that fail to make an acceptable transition and adapt sufficiently. The Board monitors the process by reviewing on an annual basis a report on the Company's voting pattern. More details on the Company's voting record can be found on page 36.

Succession Planning

Having chaired the Board since 2016 and having served as a director since 2008, I will be retiring at the AGM in May 2021. This will conclude the Board's five-year process of succession and refreshment. Five new directors have now joined the Board since 2016 and their appointments have been phased annually to ensure the Board retains the required mix of skills, experience and corporate knowledge during the recruitment process. The most recent addition to the Board is Penny Lovell who was appointed on 1 January 2021. Penny is CEO of Sanlam Private Wealth and has extensive experience in wealth management and financial advice for private investors, having held several senior positions in sales and marketing in the asset management industry. More details of Penny's background and expertise can be found on page 39.

I am delighted that my colleagues have chosen Jeremy Rigg to succeed me as Chairman. Jeremy has over 25 years of investment management experience and his three years of valuable service as a director of the Company have proven to the Board that he will make an excellent and committed Chairman.

I would like to take this opportunity to thank shareholders, my fellow directors and the team at Janus Henderson for the support that they have given to me over many years.

Strategic Report: Chairman's Statement (continued)

It has been an honour and privilege to serve the Company as both a director and Chairman and a very enjoyable and stimulating experience.

AGM

In light of the ongoing COVID-19 pandemic and with a view to making the AGM as safe and accessible for shareholders as possible, we are inviting you to register to attend our virtual AGM this year, which will be held on Monday 24 May 2021 at 12.30pm, as a webinar using the conferencing software Zoom. This will allow you to be present for the usual presentation from our Fund Manager, David Smith, and will enable you to ask questions of the Fund Manager and Board, as you would at a physical AGM.

To attend the AGM, please register in advance using the link below. You will then receive a dedicated invitation to join the webinar.

https://jhi.zoom.us/webinar/register/WN_l8zVel1VQgyTDPd6PLdB8w

Due to technological restrictions, voting will be conducted on a poll, rather than on a show of hands, with the Chairman of the AGM holding the proxy votes. We therefore request all shareholders to submit their votes by proxy, ahead of the deadline of Thursday 20 May 2021, to ensure that their vote counts at the AGM, where there will be no live voting. If you hold your shares in a nominee account, such as through a share dealing service or platform, you will need to contact your provider and ask them to submit the proxy votes on your behalf. For further instructions on proxy voting please refer to the Notice of Meeting being sent to shareholders with this report.

Non-Routine Business of the AGM

In addition to the regular business conducted at this year's AGM, a resolution will be put to shareholders to approve an increase in the limit upon overseas holdings in the portfolio from 20% to 30% of gross assets. Doing so would provide the Fund Manager with additional flexibility to invest from time-to-time in overseas opportunities that may not be available in the UK market. The Company's ability to invest a small portion of its portfolio in bonds and equities in developed markets abroad proved beneficial in 2020. It further diversified the portfolio and preserved income by accessing reliable dividend payers beyond the concentrated UK market. David Smith will continue to conduct his own due diligence on potential overseas investments, ably supported by the wider team of specialist investment managers within Janus Henderson. Regardless of this proposed increase in overseas exposure, the portfolio will remain predominantly invested in the UK equity market.

A resolution will also be put to shareholders to amend the company's Articles of Association to allow for hybrid and/or virtual-only General Meetings and Annual General Meetings. This is simply to enable the Company in the future to adapt to extreme circumstances where physical meetings are prohibited, as was the case in 2020. I would like to stress, however, that it will always be the Company's intention to hold face to face meetings with shareholders whenever possible as we value highly the opportunity this provides for engagement with our shareholders.

Prospects and Outlook

The experience of 2020 has taught all of us the difficulties of making predictions in such an uncertain world. Unfortunately, COVID-19 is likely to remain the dominant theme for 2021 with concerns about the duration and severity of its legacy on the global economy. The rapid roll-out of vaccines, particularly in the UK, has prompted cautious optimism, acknowledging that there may still be setbacks on the path to the "new normal" as variants of the virus start to emerge. Nonetheless, some of the other uncertainties raised in my interim statement have now been resolved, namely the US elections in November with the subsequent appointment of Joe Biden as US President, and the agreement of a last minute trade deal between the UK and the European Union at the end of 2020. Monetary and fiscal policy is still expected to remain very supportive during the coming year, given the likely long-term economic hangover caused by the pandemic. The worst of the dividend cuts may now be over as those businesses most affected by lockdowns have learned to adapt although we should not anticipate a rapid bounce back to their pre-pandemic dividend levels in 2021.

During 2020 the Company's income has proven relatively resilient in comparison to the UK market, thanks to our Fund Manager's careful construction of a well-diversified portfolio. We are confident that David Smith will make every effort in the year ahead to continue to protect our shareholders' crucial wish for income while balancing this with the opportunity for capital appreciation in the future.

Margaret Littlejohns
Chairman
31 March 2021

Fund Manager's Report

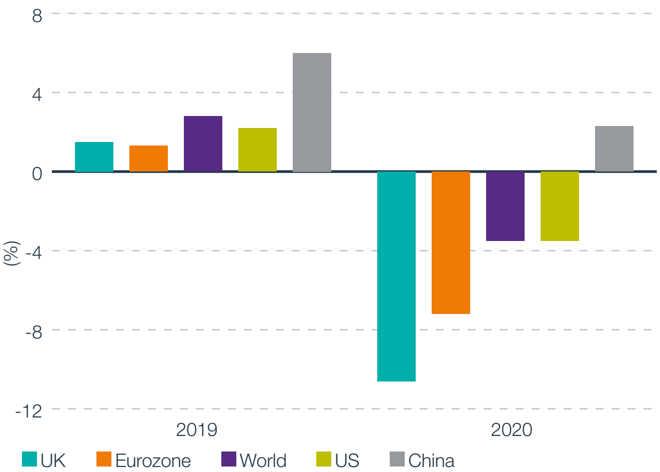
Strategic Report: Fund Manager's Report

David Smith
Fund Manager

Review of the Year

History will look back at 2020 as a truly exceptional period. The spread of COVID-19 across the world not only led to the fastest equity bear market in history but changed the way we live our lives. Between February and March, the FTSE All-Share Index fell 35% in only 22 trading days as hospitals started to become overwhelmed and governments imposed lockdowns on their citizens to combat the spread of the virus. The UK was one of the economies most impacted by the pandemic and restrictions because of its dominant services sector, with Q2 2020 GDP falling 20.8% year-on-year, the worst fall on record.

The UK was one of the worst affected economies globally



Source: Bloomberg. Y-o-Y GDP growth

Global equity markets started to recover from their March lows following an unprecedented level of coordinated government support through furlough and loan guarantee schemes, and monetary and fiscal stimulus. Markets continued to recover towards the end of the year, despite the emergence of a second wave and a new, more contagious, strain of the virus, on the news that three highly effective vaccines had been developed. Joe Biden's victory at the US Presidential Election was seen as a further positive factor for equities, while the last-minute Brexit deal between the UK and EU over its future trading relationship was a relief given the uncertainty it removed.

FTSE All-Share fell significantly between February and March

Source: Refinitiv Datastream

The FTSE All-Share Index finished the year down 9.8% with the FTSE 250 (-4.4%) and FTSE Small Cap (+7.2%) indices outperforming the FTSE 100 (-11.6%). There was significant divergence in sector performances with those most directly impacted by the pandemic, such as oil & gas, banks and travel & leisure, underperforming, while the likes of industrials and mining posted better returns, as investors sought companies likely to benefit more immediately from the anticipated global economic recovery and fiscal stimulus.

While the Company had been positioning itself more defensively through 2019, reducing borrowings, increasing the bond exposure and lowering the cyclicality in the equity portfolio, this was not enough to offset the significant declines in equity markets during 2020. The NAV fell 11.4%, underperforming the 6.3% decline in the benchmark. Both the equity and bond portfolios performed broadly in line with their respective benchmarks, with the Company's underperformance being driven by the equity gearing, which accentuated the market falls.

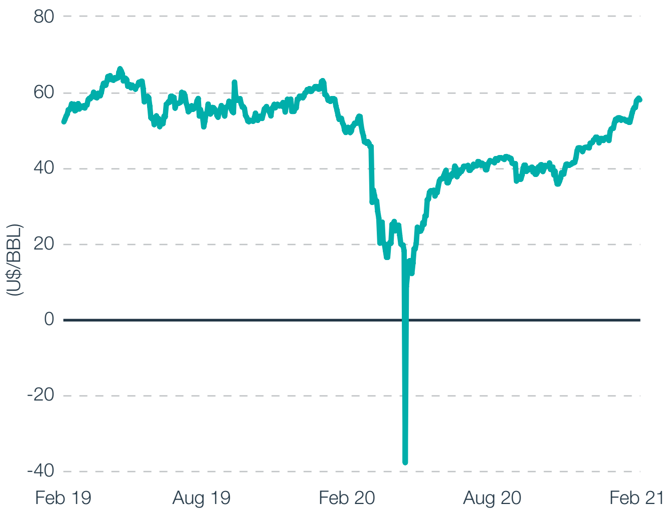
The equity portfolio fell 10.1% during the year, performing broadly in line with the FTSE All-Share Index decline of 9.8%. The main detractors to performance were those companies most directly impacted by the pandemic and subsequent government lockdowns. Shares in bus operator National Express, contract caterer Compass Group, events company Informa and hotel operator Whitbread all fell sharply in late February and early March as the restrictions imposed upon populations had a material impact upon each company's profits and cash flows. Such businesses were forced to cease the majority of their operations, suspend dividend payments, focus on conserving cash and improve their liquidity and balance sheet positions. Each company raised fresh equity during the crisis to shore up their financial strength which we supported, given our belief that the pandemic had not

Strategic Report: Fund Manager's Report (continued)

permanently impaired the business models longer-term. Indeed we still maintain holdings in each, despite the prospects of no dividends in 2021, as the roll-out of effective vaccines gives some hope that their businesses will soon start to return to normal, while their repaired balance sheets provide them with the opportunity to take market share once the recovery is sustained.

While the pandemic impacted the majority of companies in the UK market to some degree, it did prove beneficial for a number of the portfolio's holdings, such as Bunzl and Hilton Food Group. Bunzl sources and distributes non-consumable products, including sanitiser, disposable gloves and masks and other safety equipment, which saw significantly increased demand. Hilton Food Group packages meat-based products for supermarkets globally and benefitted from the shift to food consumption at home. The portfolio's underweight positions in the oil & gas and banking sectors were also positive for relative performance. Lockdowns significantly impacted the short-term demand for oil-based products while a breakdown in relations between Saudi Arabia and Russia regarding cuts to oil production, caused the oil price to collapse during the crisis, even turning negative at one point. In this environment, both BP and Royal Dutch Shell underperformed and cut their dividends, the latter for the first time since World War II.

The oil price collapsed in 2020, even turning negative in April



Source: Refinitiv DataStream, Crude Oil-WTI Spot Cushing

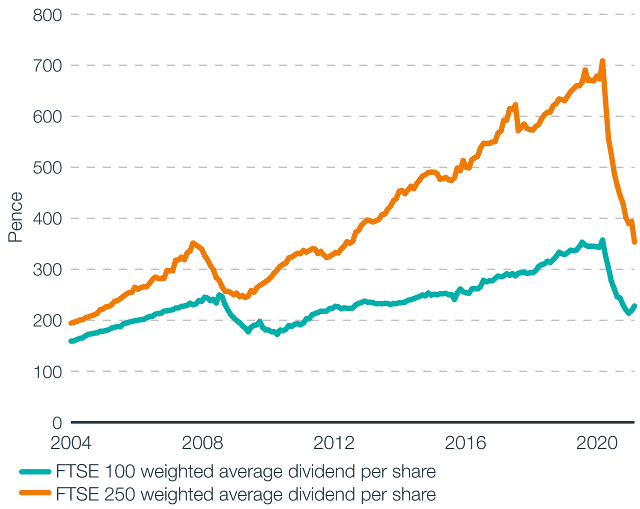
Elsewhere it was pleasing to see some of the Company's overseas holdings performing well. Pharmaceutical company Roche outperformed during the year, as investors sought its defensive earnings, while new additions Deutsche Post and Metso Outotec were also positive for performance. Deutsche Post is a global logistics company which benefitted from increased parcel deliveries given the acceleration towards online shopping caused by the pandemic. Metso Outotec was formed by the merger of Metso and competitor Outotec which has created a global leader in the supply of industrial machinery for the mining sector. Strong profit growth during the year has been supported by robust capital spending by large mining companies and significant merger synergies.

Although the fixed income portfolio marginally underperformed its benchmark, it still produced a positive total return of 7.7% versus the 8.0% rise in the ICE BofAML Sterling Non-Gilts Index. This highlights the benefits of the Company's unique structure; the ability to own bonds helps dampen the overall volatility of the Company, especially during equity market drawdowns, and diversifies its income stream. The portfolio benefitted from both government bond yields falling, with the UK 10 year gilt yield contracting close to all-time lows of 0.2% as at the end of December, and credit spreads tightening (both positive for bond prices). Both were driven lower by the substantial government support and liquidity provided by central banks, effectively reducing the prospect of material defaults. Holdings in bonds issued by Tesco, Nationwide (preference shares) and Direct Line were the best performers as investors sought their relatively high coupons.

Income

The environment for income investors was very challenging in 2020, with a significant number of companies either cutting, abandoning or deferring dividend payments, whether as a matter of choice or because of political pressure. Total market dividend payments for the FTSE All-Share Index fell by 44% during the year, with the FTSE 100 and FTSE 250's aggregate dividends down by 35% and 56% respectively, according to the Link UK dividend monitor.

Both large and mid-cap indices saw significant reductions in aggregate dividend payments



Source: DataStream. DPS based on 12 month trailing basis

The Company was not immune in this environment but given its diversified nature, the income return performed relatively better than that of the overall UK equity market. The income

Strategic Report: Fund Manager's Report (continued)

generated through the year was 8.58p per share, a fall of 19% on 2019 (10.59p per share) or 17% on an underlying basis excluding special dividends. The Company benefitted from the stability of income from the bond portfolio, where we experienced no defaults, and the Company's exposure to more defensive sectors within the equity portfolio, such as utilities, healthcare and consumer staples, where companies continued to pay dividends. For the companies held in the equity portfolio that suspended dividend payments, we took a pragmatic approach, supporting those companies which we believe have the best long-term potential despite a lack of dividends in the short-term, and sold those businesses that cancelled dividends but where we have less faith in the medium-term recovery prospects, such as HSBC, BT and Hammerson. The Company also increased its exposure to overseas holdings where dividends were less impacted, focusing on high quality companies that can sustain and grow their dividends into the long-term.

One of the benefits of an investment trust structure is its ability to put aside excess income earned in any one year, known as revenue reserves, to help support dividends in more difficult years. Over the last nine years, the Company has built up revenue reserves to £10.7 million at the start of 2020. Given the robust level of these reserves, the Company raised the full year dividend for the eighth year in succession to 9.90p per share, an increase of 1.0%. Revenue reserves contributed a modest £1.7 million to fund the shortfall in income, which left reserves at £9 million, sufficient to cover 70% of the anticipated full year dividend going forward.

Although last year was an incredibly tough year for income seeking investors, 2020 ended with a glimpse of optimism thanks to the return of previously suspended dividends from some of our investee companies. It is likely that more companies will continue to return to the dividend register in 2021 but at lower levels, as companies are likely to remain cautious until there is a clearer path for cash flows to recover and balance sheets to be repaired. The Company may have to utilise more revenue reserves again this year, but the level of those reserves gives confidence that the Company's own dividend can be at least sustained until underlying income covers the full dividend payment again.

Portfolio Activity

Early in the pandemic, the Company reduced its borrowings to more defensive levels given the very uncertain outlook, by selling holdings in US investment grade corporate bonds. These bonds, from issuers such as Amazon, American Towers Corp, Comcast and Verizon had performed particularly well since purchase, with yields moving to extremely low levels and no longer offering compelling value, especially against the Company's cost of borrowings. The allocation to the bond portfolio finished the year at 12.5% and 15.4% of the portfolio's gross and net assets respectively.

Within the equity portfolio we were quick to reduce the cyclicality, selling IAG (the holding company of British Airways) Ibstock and Jupiter Fund Management in January, and aerospace company Senior and housebuilder Vistry in March. The proceeds were used to increase holdings in more stable businesses that have dependable cash flows and dividends, such as British American Tobacco, Unilever, Reckitt Benckiser and the French pharmaceutical company Sanofi.

As previously mentioned, the Company utilised its ability to invest up to 20% of gross assets overseas by increasing the international exposure to 16.2% by year-end. New positions were initiated in McDonald's and Texas Instruments in the US, and EDP and RWE in Europe. McDonald's is a strong global franchise with a robust cash flow and an attractive long-term dividend growth track record. Texas Instruments designs and manufactures semiconductors for markets such as general industrials and autos, which offer good long-term structural growth given the shift to make products smarter, safer, better connected and more efficient. The company has high margins and good cash generation, supporting an attractive dividend. In the last few years, European utilities EDP and RWE have transitioned their businesses away from carbon-based energy generation to renewable sources. Both now generate the majority of their profits from renewable energy generation and have large pipelines of new projects to increase their renewable capacity significantly over the next five years. This will help underpin future profit growth, as technologies improve to make renewable energy assets more cost-competitive, and supporting growth in dividends from already attractive yield levels.

The advantage of being part of the wider 14-person strong Janus Henderson Global Equity Income Team is the ability to leverage the experience and knowledge of team members for investment ideas outside the UK. This was invaluable last year as utilising that expertise helped me take decisive action to broaden the portfolio not only in terms of overseas income opportunities but also companies that offer the prospect of long-term capital growth. As highlighted in the Chairman's Statement, the Company is looking to increase the limit for overseas holdings in the portfolio from 20% to 30%. While the intention is still for the Company to have the majority of its assets invested in the UK, having the additional flexibility to invest more internationally will help open up the investment universe for the Company to find opportunities not readily available in the UK. It will also help further diversify the income generated by the equity and bond portfolios, given the concentrated nature of UK equity and bond markets.

Towards the end of the year, as the outlook for markets and economies became more optimistic, and thanks to the news regarding the development of successful vaccines, I initiated new holdings in more cyclical companies, such as Anglo American and NatWest. Anglo American is a well-diversified miner with good organic growth prospects given the number of new projects, especially in copper and PGMs (Platinum

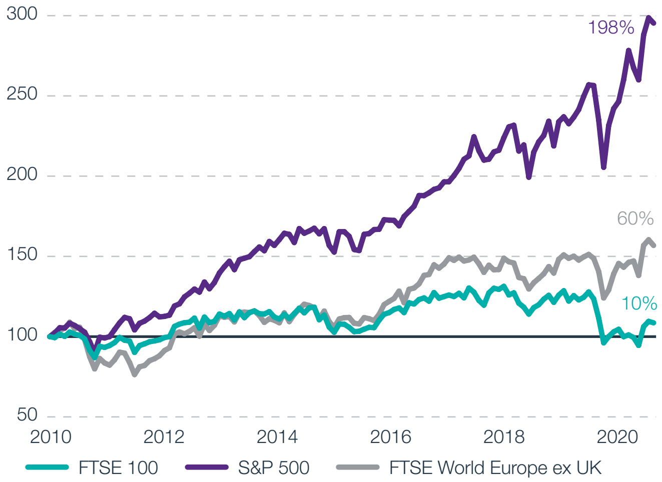
Strategic Report: Fund Manager's Report (continued)

Group Metals), due to come on stream in the next few years. Both metals should have good long-term structural support given their applications in the electrification of energy infrastructure and use in autocatalytic convertors respectively. As the UK economy gradually recovers, NatWest should be able to generate higher returns than in the recent past given the operational improvement implemented by the new management team, which we believe is not fully reflected in the current valuation. The company also has a very strong capital position which should see the return of attractive dividends once allowed by the regulator. Funding came from reducing some of the portfolio's more defensive holdings, such as National Grid, GlaxoSmithKline and Bunzl. Over the course of the year, borrowings reduced by approximately £8 million, with the Company's level of gearing finishing 2020 at 22.9%.

Outlook

The FTSE 100 has appreciated in capital terms by just 9.5% over the last 10 years. One could describe this period as a lost decade for UK equity investors as there has been a multitude of issues to worry about and hold back returns. The Eurozone debt crisis in 2011, the commodities recession in 2015, Brexit from 2016, US-China trade relations in 2018 and more recently a pandemic. However, when we look forward, the majority of those headwinds have now passed and with effective vaccines being rolled-out there is a credible path to life returning to some form of normality sooner rather than later.

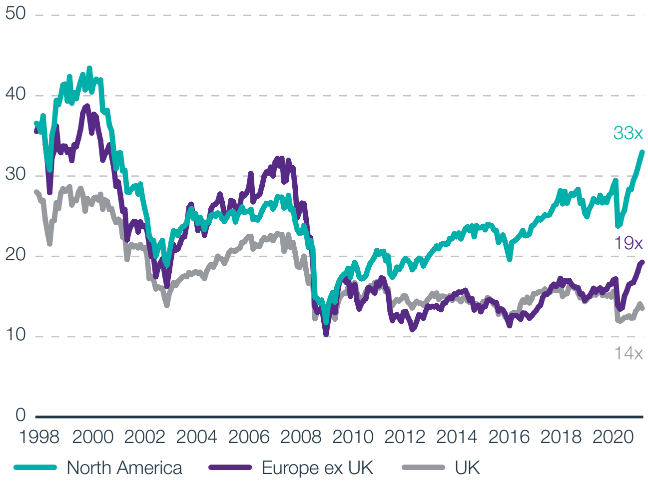
UK investors lost decade



Source: Refinitiv Datastream. Price return indices rebased to 100 as at 31 December 2010

Just as the pandemic has caused the worst UK recession in living memory, so too could it produce a significant rebound in activity given pent up demand arising from enforced lockdowns and savings reaching all-time highs. While we need to be mindful of potential new mutations of the virus and to understand the longer-term economic damage caused by the pandemic, a return to more normal life is supportive of strong synchronized global economic growth in the medium-term, further supported by monetary and fiscal stimulus from governments and central banks. This backdrop should be positive for UK equities, and we look forward with cautious optimism, especially given attractive valuations in the UK, both in absolute terms and relative to other developed markets. The Company is well-positioned, owning good quality companies that either currently pay an attractive dividend or are likely to return to the dividend register soon, and have the potential for capital recovery.

The UK market is cheap relative to history and other global indices based on 10-year average earnings



Source: Refinitiv DataStream. Cyclical Adjusted Price Earning Ratios based on 10-year average earnings for FTSE regional indices

David Smith
Fund Manager
31 March 2021

Portfolio and Financial Information

Strategic Report: Investment Portfolio

Investments: Fixed Interest

PREFERENCE SHARES	Total 31 December 2020 £'000
General Accident 8.875%	1,224
Middlefield Canadian Income 7%	1,334
National Westminster Bank 9%	395
Nationwide Building Society 10.625%	2,310
Total Preference Shares	**5,263**
OTHER FIXED INTEREST	
Anheuser-Busch 4.75% 2029 (USA)	994
Aramark Services 5% 2028 (USA)	1,441
Ardagh 4.75% 2027	2,486
Arqiva Broadcast Finance 6.75% 2023	1,236
Aviva 6.125% Variable Perpetual	1,076
AXA 5.453% Variable Perpetual (France)	987
Barclays Bank 6.278% Perpetual	922
BUPA Finance 5% 2026	411
BUPA Finance 4.125% 2035	602
Cintas Corp No. 2 3.7% 2027 (USA)	1,433
CPUK Finance 4.875% 2025	945
Crown Americas 4.75% 2026 (USA)	1,328
Davita 4.625% 2030 (USA)	675
Direct Line Insurance 4.75% Variable Perpetual	905
Elanco Animal Health 4.272% 2023 (USA)	1,335
HCA 5% 2024 (USA)	2,395
Iron Mountain 4.5% 2031 (USA)	713
Lloyds Banking 2.707% 2035	669
Service Corp Intl 3.375% 2030 (USA)	609
Service Corp Intl 4.625% 2027 (USA)	1,305
Tesco 5.2% 2057	886
Tesco 5.5% 2033	1,463
Virgin Media 4.125% 2030	1,750
Ziggo 4.875% 2030 (USA)	769
Total Other Fixed Interest	**27,335**
TOTAL FIXED INTEREST	**32,598**

Investments: Equities (including convertibles and investment funds)

OIL & GAS	Total 31 December 2020 £'000
Oil & Gas Producers	
BP	4,284
Royal Dutch Shell	5,363
Total Oil & Gas	**9,647**
BASIC MATERIALS	
Chemicals	
Johnson Matthey	3,149
Victrex	2,176
Mining	
Anglo American	5,823
Rio Tinto	9,135
Total Basic Materials	**20,283**
INDUSTRIALS	
General Industrials	
Vesuvius	2,610
Industrial Engineering	
Bodycote	2,478
Metso Outotec (Finland)	2,355
Support Services	
Bunzl	3,522
Total Industrials	**10,965**
CONSUMER GOODS	
Automobiles & Parts	
TI Fluid Systems	2,301
Beverages	
Britvic	3,919
Coca-Cola (USA)	2,066
Coca-Cola HBC	3,213
Diageo	7,255
Food Producers	
Cranswick	2,926
Hilton Food	3,841
Household Goods & Home Construction	
Bellway	2,293
Persimmon	1,716
Reckitt Benckiser	2,699
Personal Goods	
Burberry	3,095
Unilever	6,730
Tobacco	
British American Tobacco	10,530
Imperial Brands	4,107
Total Consumer Goods	**56,691**

Strategic Report: Investment Portfolio (continued)

Investments: Equities (including convertibles and investment funds)

HEALTH CARE	Total 31 December 2020 £'000
Pharmaceuticals & Biotechnology	
AstraZeneca	2,922
GlaxoSmithKline	8,233
Roche (Switzerland)	1,724
Sanofi (France)	1,796
Total Health Care	**14,675**

CONSUMER SERVICES	
Food & Drug Retailers	
Tesco	5,508
General Retailers	
Next	2,901
Media	
Informa	2,811
Relx (Netherlands)	5,078
Travel & Leisure	
Compass Group	3,219
McDonalds (USA)	2,067
National Express	2,997
Whitbread	3,098
Total Consumer Services	**27,679**

TELECOMMUNICATIONS	
Mobile Telecommunications	
Vodafone	4,978
Total Telecommunications	**4,978**

UTILITIES	
Electricity	
EDP Energias de Portugal (Portugal)	2,495
SSE	2,060
Gas, Water & Multiutilities	
National Grid	5,093
RWE (Germany)	1,998
Severn Trent	3,833
United Utilities	3,215
Total Utilities	**18,694**

FINANCIALS	Total 31 December 2020 £'000
Banks	
Lloyds Banking	3,335
NatWest	3,470
Equity Investment Instruments	
Blackstone/GSO Loan Funding (Jersey)	1,919
Greencoat UK Wind	1,815
Tufton Oceanic Assets	1,581
Financial Services	
3i	5,122
Ashmore	2,675
Intermediate Capital	3,862
Schroders	3,018
Standard Life Aberdeen	2,394
Life Insurance	
Chesnara	2,476
M&G	3,835
Phoenix	4,226
St.James's Place	3,536
Nonlife Insurance	
ASR Nederland (Netherlands)	2,545
Direct Line Insurance	2,253
Lancashire Holdings	1,923
Sabre Insurance	2,015
Real Estate Investment Trusts	
Big Yellow	2,693
Land Securities	1,613
PRS REIT	1,143
Supermarket Income REIT	1,560
Total Financials	**59,009**

TECHNOLOGY	
Software & Computer Services	
Sage	2,271
Technology Hardware & Equipment	
Texas Instruments (USA)	2,354
Total Technology	**4,625**

TOTAL EQUITIES	227,246
TOTAL	259,844

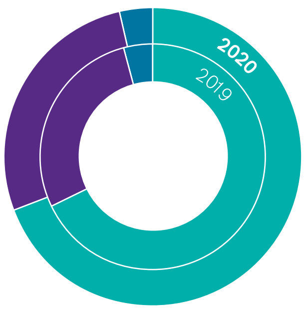
Strategic Report: Investment Portfolio (continued)

Percentage Breakdown of Investments by Sector

	Total 31 December 2020 %	Total 31 December 2019 %
FIXED INTEREST		
Preference shares	2.0	1.5
Other fixed interest	10.5	13.5
Total Fixed Interest	**12.5**	**15.0**
EQUITIES		
Oil & Gas		
Oil & gas producers	3.7	5.8
Total Oil & Gas	**3.7**	**5.8**
Basic Materials		
Chemicals	2.1	2.6
Mining	5.7	2.1
Total Basic Materials	**7.8**	**4.7**
Industrials		
Aerospace & defence	–	0.6
Construction & materials	–	1.1
General industrials	1.0	2.8
Industrial engineering	1.8	0.8
Support services	1.4	2.1
Total Industrials	**4.2**	**7.4**
Consumer Goods		
Automobiles & parts	0.9	0.8
Beverages	6.3	5.9
Food producers	2.6	2.7
Household goods & home construction	2.5	2.6
Personal goods	3.8	1.8
Tobacco	5.7	4.4
Total Consumer Goods	**21.8**	**18.2**
Health Care		
Pharmaceuticals & biotechnology	5.7	8.2
Total Health Care	**5.7**	**8.2**
Consumer Services		
Food & drug retailers	2.1	1.7
General retailers	1.1	1.1
Media	3.1	3.5
Travel & leisure	4.4	5.3
Total Consumer Services	**10.7**	**11.6**

	Total 31 December 2020 %	Total 31 December 2019 %
Telecommunications		
Fixed line telecommunications	–	1.4
Mobile telecommunications	1.9	1.6
Total Telecommunications	**1.9**	**3.0**
Utilities		
Electricity	1.8	1.0
Gas, water & multiutilities	5.4	4.4
Total Utilities	**7.2**	**5.4**
Financials		
Banks	2.6	3.9
Equity investment instruments	2.0	2.0
Financial services	6.6	5.2
Life insurance	5.5	4.3
Nonlife insurance	3.4	1.0
Real Estate Investment Trusts	2.6	3.2
Total Financials	**22.7**	**19.6**
Technology		
Software & computer services	0.9	1.1
Technology hardware & equipment	0.9	–
Total Technology	**1.8**	**1.1**
TOTAL INVESTMENTS	**100.0**	**100.0**

Distribution of the UK equity portfolio holdings at 31 December



	2020 %	2019 %
Large companies	**69.3**	67.8
Medium-sized companies	**27.3**	28.2
Small companies	**3.4**	4.0

Large companies = Market Cap of >£5bn
Medium-sized companies = Market Cap of <£5bn and >£500m
Small companies = Market Cap of <£500m
Source: Janus Henderson

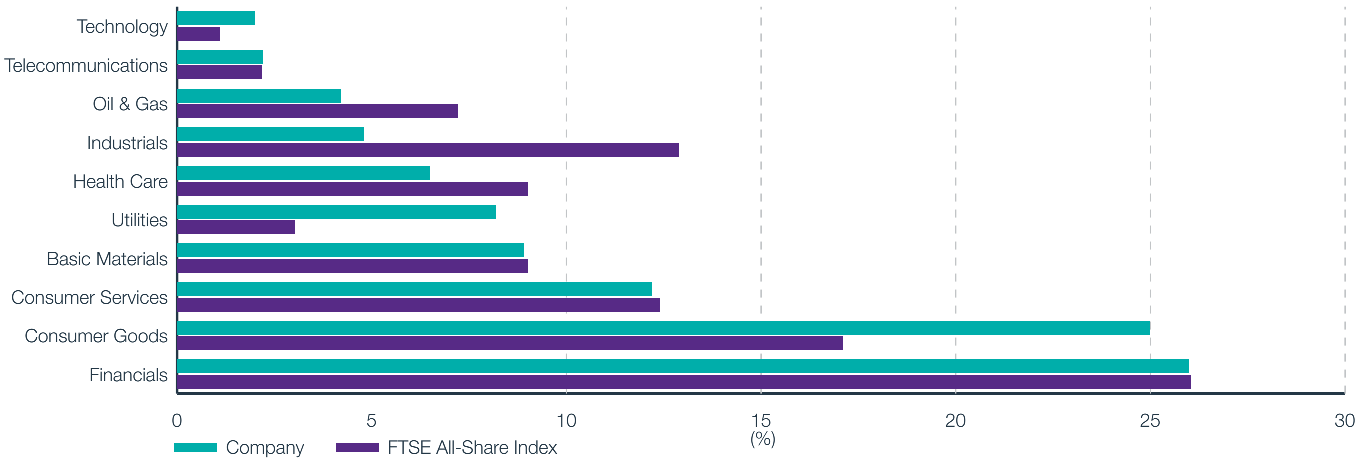
Strategic Report: Portfolio Information

Sector Exposure at 31 December

Excluding cash

Sector	2020 £'000	2020 % of portfolio	2019 £'000	2019 % of portfolio
Preference shares	5,263	2.0	4,502	1.5
Other fixed interest	27,335	10.5	41,259	13.5
Total Fixed Interest	**32,598**	**12.5**	**45,761**	**15.0**
Financials	59,009	22.7	59,849	19.6
Consumer Goods	56,691	21.8	55,378	18.2
Consumer Services	27,679	10.7	35,292	11.6
Basic Materials	20,283	7.8	14,333	4.7
Utilities	18,694	7.2	16,311	5.4
Health Care	14,675	5.7	25,057	8.2
Industrials	10,965	4.2	22,612	7.4
Oil & Gas	9,647	3.7	17,811	5.8
Telecommunications	4,978	1.9	9,224	3.0
Technology	4,625	1.8	3,436	1.1
Total Equities	**227,246**	**87.5**	**259,303**	**85.0**
Total	**259,844**	**100.0**	**305,064**	**100.0**

Equity Portfolio Sector Weightings at 31 December 2020



Ten Largest Investments at 31 December

Position	Company	Sector	2020 £'000	2020 % of portfolio	2019 £'000	2019 % of portfolio
1	British American Tobacco	Consumer Goods	10,530	4.0	8,015	2.6
2	Rio Tinto	Basic Materials	9,135	3.5	6,437	2.1
3	GlaxoSmithKline	Health Care	8,233	3.2	11,993	3.9
4	Tesco[1]	Consumer Services	7,857	3.0	7,395	2.4
5	Diageo	Consumer Goods	7,255	2.8	10,615	3.5
6	Unilever	Consumer Goods	6,730	2.6	5,449	1.8
7	Anglo American	Basic Materials	5,823	2.2	–	–
8	Royal Dutch Shell	Oil & Gas	5,363	2.1	9,882	3.2
9	3i	Financials	5,122	2.0	3,948	1.4
10	National Grid	Utilities	5,093	2.0	6,930	2.3
Total			**71,141**	**27.4**	**70,664**	**23.2**

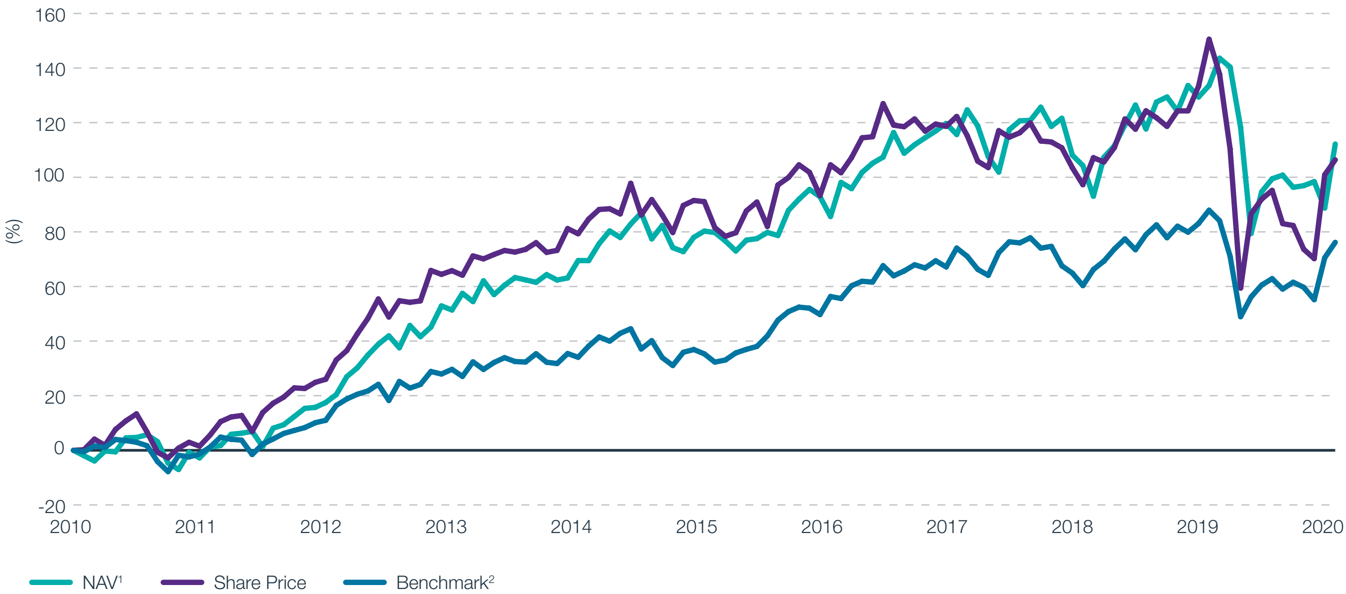
1 Includes fixed interest

Strategic Report: Historical Performance and Financial Information

Total Return Performance to 31 December

	1 year %	3 years %	5 years %	10 years %
NAV[1]	-11.4	-4.2	+18.3	+117.6
Share Price	-17.6	-7.2	+8.0	+106.4
Benchmark[2]	-6.3	+1.2	+30.2	+76.2
ICE BofAML Sterling Non-Gilts Index	+8.0	+16.3	+34.2	+85.8
FTSE All-Share Index	-9.8	-2.7	+28.5	+71.9

Total Return Performance over 10 years to 31 December 2020



Financial Information as at 31 December

	Net assets £m	NAV per ordinary share[3] p	Mid-market price per ordinary share p	Dividends per ordinary share p
2011	108.9	119.3	118.5	8.30
2012	132.8	135.3	138.3	8.30
2013	175.3	167.7	172.8	8.40
2014	189.0	171.4	177.9	8.60
2015	197.1	175.3	180.5	8.90
2016	207.7	181.3	183.6	9.15
2017	257.2	195.7	190.0	9.40
2018	210.8	159.5	159.5	9.60
2019	251.1	189.8	191.8	9.80
2020	**211.4**	**157.3**	**147.0**	**9.90**

1 Net asset value with debt at fair value total return (including dividends reinvested and excluding transaction costs)
2 A composite of 80% of the FTSE All-Share Index (total return) and 20% of the ICE BofAML Sterling Non-Gilts Index (total return) rebalanced annually
3 Based on net assets with debt at fair value as published by the AIC

Source: Janus Henderson, Morningstar for the AIC, Refinitiv DataStream and Bloomberg

Business Model

Strategic Report: Business Model

Purpose and Strategy

The Company's purpose is to deliver consistently to shareholders a high level of income on a regular basis while seeking capital growth over the longer term. This purpose is fulfilled by achieving the investment objective and applying the investment policy.

Investment strategy is delegated to the Manager within the parameters determined by the Board and approved by shareholders.

Investment Objective

The Company invests in a prudently diversified selection of both well-known and smaller companies to provide investors with a high dividend income stream while also maintaining the prospect of capital growth.

Investment Policy

In normal circumstances the Company will invest up to 80% of its gross assets in equities and up to 20% of its gross assets in fixed income (in companies of any size that are either listed in, registered in, or whose principal business is in the UK). Within these limits a maximum of 20% of gross assets may be invested outside of the UK.

No single investment will exceed 15% of total gross assets at the time of investment and no more than 15% of gross assets may be invested in other listed investment companies (including investment trusts) or collective investment schemes. The Company may from time-to-time use financial instruments known as derivatives for the purpose of efficient portfolio management or to generate additional income while maintaining a level of risk consistent with the risk profile of the Company.

A resolution will be put to shareholders at the 2021 AGM to approve an increase of the limit for overseas holdings in the portfolio from 20% to 30% of gross assets. Please refer to the Chairman's Statement on page 10 for further details.

Investment Selection

The selection process seeks to identify companies with strong balance sheets that are capable of paying dividends. There is a focus on well-managed companies whose qualities may have been temporarily overlooked and which offer potential for capital appreciation over the medium term.

Gearing[1]

The Company has an active policy of using appropriate levels of gearing, both in the form of bank and longer-term borrowings, with the objective of enhancing income returns and also achieving capital growth over time. A portion of gearing is usually employed with respect to the Company's fixed interest securities to generate additional income.

The Company can borrow up to 40% of gross assets. The drawdown of floating rate borrowings can be in non-sterling currencies, provided that these borrowings do not exceed the market value of non-sterling assets.

Gearing as at 31 December 2020 was 22.9% (2019: 21.5%).

1 Please refer to the Alternative Performance Measures on page 86

Company Structure

The Company operates as an investment company with a Board of Directors (Board) who delegate investment and operational matters to specialist third-party service providers. Their performance is monitored and challenged by the Board who retain oversight of the Company's operations. The Board is comprised entirely of non-executive directors accountable to shareholders, who have the ability to remove a director from office where they deem it to be in the interests of the Company.

The framework of delegation provides a cost-effective mechanism for achieving the Company's objectives under section 1158/9 of the Corporation Tax Act 2010 (s.1158/9). The closed-ended nature of the Company enables the Fund Manager to take a longer-term view on investments. It also supports a fully invested portfolio as the Company does not have to maintain or create sufficient cash balances to satisfy investor redemptions.

Investment trusts have two significant advantages over other investment fund structures: firstly, the ability to pay dividends out of revenue reserves to support the provision of income to shareholders, as necessary, and secondly, the ability to borrow to increase potential returns for shareholders.

Income

The investment objective underpins the Company's dividend policy, which is to pay quarterly interim dividends from current revenue and add to the revenue reserve where possible each year. The purpose of this reserve is to enable the Company to support dividend payments in difficult market conditions. When deciding on whether to pay each quarterly interim dividend, the Board has regard to a variety of factors, including the current and the forecast levels of income (including any special dividends received) and the historic dividend schedule. The Board also considers a range of stress tests which forecast revenue under different scenarios in order to form a view on the sustainability of the Company's dividends.

Borrowings

The Company has a committed loan facility with Scotiabank of £45 million that matures on 21 December 2022. This facility has an accordion of £12 million allowing the Company to borrow up to £57 million.

The Company originally agreed a one-year extension to its loan facility with Scotiabank on 21 June 2020. Given the heightened uncertainty in the markets at that time, the facility was negotiated with a no early repayment penalties clause with the aim of securing a longer tenure facility agreement when markets stabilised. On 21 December 2020, the Company entered into a two-year loan facility agreement with Scotiabank after considering a number of indicative quotes from potential lenders, to take advantage of the most competitive rates and terms on offer.

Strategic Report: Business Model (continued)

The Company also has a 19-year £20 million fixed rate senior unsecured note with a sterling coupon of 3.67% which will mature on 8 July 2034.

Section 172(1) Statement

The statutory duties of the directors are set out in s171-177 of the Companies Act 2006. Under s172, directors have a duty to promote the success of the Company for the benefit of its members (shareholders) as a whole and in doing so have regard to the matters set out in s.172(1), which include the consequences of any decision in the long-term and the interests of the Company's stakeholders amongst other considerations. The fulfilment of this duty not only helps the Company achieve its investment objective but ensures decisions are made in a responsible and sustainable way for shareholders and wider stakeholders.

Information on how the directors have had regard to the matters set out in s.172(1)(a)-(f) can be found on the following pages of this statement. This includes information on the impact on the Company of the emergence of COVID-19 since March 2020, and the need for the directors to protect, where possible, stakeholders' interests in the face of this significant societal, economic and financial event.

Service Providers

The directors use their skills, experience and knowledge to select and engage reputable organisations to carry out operations on behalf of the Company. The Board is responsible for effectively monitoring the services provided by the Company's third-party suppliers on an ongoing basis. The principal outsourced arrangement is the investment management service which is provided by Janus Henderson (Manager), in particular the Fund Manager, who is responsible for the management of the portfolio.

The Board reviews and monitors the arrangements in place with all of the Company's third-party service providers at least annually. As the Manager manages the overall day-to-day relationship with the Company's other third-party suppliers, the Board places reliance on the Manager in this regard and is confident that the Manager has developed and maintains good working relationships with them. The Board receives appropriate information from the Manager in order to assess the third-party suppliers' performance, value for service, approach to ESG issues and their internal controls and risk management frameworks, including information security and business continuity. The Board also meets with representatives of the Depositary and Custodian, and other service providers, as and when it is deemed necessary.

In addition, JP. Morgan Cazenove (Broker), Marten & Co (Sponsored Research), Computershare (Registrar) and HSBC (Depositary) were asked to provide a self-assessment covering value for money for the service provided and confirmation of adherence to the terms and conditions throughout the period. This report also confirmed that each service provider had appropriate corporate governance and environmental, social and governance policies, processes and procedures in place.

The Manager provided information and assurances to the Board at the beginning of the pandemic to confirm that all of its employees (including the Fund Manager) could work from home without disruption to 'business as usual'. The Manager also contacted all of the Company's third-party service providers to obtain similar confirmations, which were subsequently communicated to the Board.

Throughout the year the Board has received regular updates from the Manager on the well-being of its employees and the effectiveness of working from home on the Manager's business operations. The Board were pleased with the seamless transition to new working arrangements at Janus Henderson and remain satisfied that standards are high and that the internal control and risk management framework is operating effectively.

Appointment of a New Director

In preparation for the appointment of a new director, following the retirement of the Chairman at the forthcoming AGM, the Nominations and Remuneration Committee reviewed the composition of the current Board of Directors to identify any skill gaps. Given the increasing number of retail investors on the Company's share register, the Committee recognised the importance of seeking potential candidates with particular experience of retail investment and with a background in product development and/or platform distribution. A draft job description outlining these requirements was approved by the Board and Tyzack Partners were engaged to assist the Board in seeking appropriate candidates (Tyzack Partners did not provide any other services to the Company and are considered independent). After a successful two-stage interview, Penny Lovell was appointed to the Board with effect from 1 January 2021. Penny has extensive experience in investment management and financial planning, including succession planning, family governance, philanthropy and next generation advice. She is CEO of Sanlam Private Wealth, which manages over £4bn of assets.

Values and Culture

The Board expects all directors to act with integrity and to apply their skill, care, due diligence and professional experience in the boardroom. The Board has a strong relationship with the Manager, in particular with the Fund Manager and the Company Secretary. The culture of the Board is one that promotes integrity and openness which is reciprocated by the Manager.

The Board expects the Company's third-party service providers, particularly the Manager who is responsible for the management of the Company's portfolio, to uphold the same values and high standard of conduct as the Board. To this end, the Board considered the Manager's corporate culture and values as part of the overall assessment of the service provided by them.

Strategic Report: Business Model (continued)

Engagement and Communication with Stakeholders

The Board has drafted a stakeholder map to identify the types of relationships the Company has with each stakeholder group. The following table sets out how the Manager and/or Board engages with those stakeholders who are deemed to have a 'high' level of stakeholder interest in the Company.

Stakeholders	Why it is important to engage?	How has the Manager and/or the Board engaged?
Shareholders/ Potential Investors	• To allow investors to make informed investment decisions. • To retain existing shareholders and attract new ones. • To understand investors' requirements and expectations.	• Annual and Half Year Reports. • Monthly factsheets. • Fund Manager videos and commentary and webinars with professional investors. • Sponsored research notes. • AGM. • RNS announcements. • Website improvements. • The Board receives shareholder feedback from its Corporate Broker, the Manager's Investment Trust Sales and Marketing Teams and the Fund Manager. • The Board and the Fund Manager are also happy to meet shareholders when requested.
Alternative Investment Fund Manager (AIFM) – Henderson Investment Funds Limited (HIFL)	• To ensure that the Company complies with the AIFMD regulation.	• Representatives of the AIFM regularly attend meetings. • The AIFM confirms compliance with investment limits and restrictions each month. • Quarterly internal controls reports to provide the Board with regular reporting on the Manager's internal controls in operation over the services delivered to the Company.
Fund Manager – Janus Henderson	• To ensure that the investments of the portfolio and the administration of the Company are well-managed.	• The Fund Manager and Company Secretary attend all meetings and provide specific reports.
Service Providers (including the Depositary, Broker, Registrar and Auditors)	• To monitor the quality and cost effectiveness of the services provided.	• Bi-annual service review meetings with the Depositary and Registrar. • Self-assessment reports provided to the Board annually. • Review and discussion of reports on the effectiveness of internal controls and risk management. • Review of proposed audit plan and fee each year. • Regular attendance at meetings throughout the year with specialist input provided.
Portfolio Holdings	• The Fund Manager's decisions are key to the Company achieving its investment objective and policy. Direct communication with investee companies can lead to better informed decisions.	• The Manager votes at shareholder meetings of the portfolio holdings on behalf of the Company (engaging with companies as appropriate prior to voting e.g. on ESG matters/contentious resolutions). • The Fund Manager regularly engages with investee companies.
Lender	• The Company has an active policy of using appropriate levels of gearing, both in the form of bank and longer-term borrowings, with the objective of enhancing income returns and also achieving capital growth over time.	• Short-term loan facility with Scotiabank renewed on two-year term (at competitive market rates). • The Manager confirms compliance with the loan covenants (to both the short-term and long-term lender) each month. • The Manager responds to audit requests from its Lenders.

Strategic Report: Business Model (continued)

Board Discussions and Decision Making

The following paragraphs provide some examples of the key discussions held and decisions made by the Board and its Committees during the year-ended 31 December 2020.

Additional stress testing of the revenue forecast and commitment to hold the dividend

Since March 2020 the Fund Manager has regularly updated the long-term stress test scenarios throughout the year to model the impact on the Company's revenue reserves from the significant dividend suspensions and cuts experienced across the UK market.

At the second interim dividend announcement stage in July 2020 the Board communicated its intention to use the Company's revenue reserves where necessary to maintain the quarterly dividend at the 2.475p per share level for the remainder of the financial year. The Board is pleased to report that this level was maintained throughout the year totalling 9.90p per share, a modest increase of 1% from the previous year.

Probing the Manager on ESG risk and improved ESG reporting for shareholders

A representative from the Manager's Governance and Responsible Investment Team (GRI Team) attended the July Board meeting to report on how the GRI Team collaborated with the Fund Manager, what tools were used to assist with their work and to give their view on what they thought investors would expect from an ESG reporting perspective going forward. The discussions held at this meeting have helped to shape the new Environmental, Social and Governance Matters section on pages 34 to 36 of this report.

The Board will monitor ESG reporting developments, in particular the recommendations from the Taskforce on Climate Related Disclosures and aim to adapt and evolve the report to meet expectations in future years.

Engagement with and feedback from major shareholder following a significant vote against

The Company received the following votes in respect of the resolution to re-elect Margaret Littlejohns as a director of the Company at the AGM held on 23 June 2020.

For	Against	Witheld	Total cast (excluding votes withheld)
11,929,080	2,921,532	108,113	14,850,612
80.3%	19.7%	–	–

The Board subsequently analysed the proxy votes received and identified one large shareholder vote which amounted to 15% of the total votes against this resolution. The Senior Independent Director subsequently wrote to this shareholder to ask for their feedback. The feedback provided made it clear that the reason for the vote against was based on the UK Code of Corporate Governance provision that the Board Chair should not also chair the Remuneration Committee. As a result of this feedback the Board has appointed its Senior Independent Director, Zoe King, as Chairman of the Nominations and Remuneration Committee.

Liquidity and Discount Management

The Board's aim is for the Company's share price to reflect closely its underlying net asset value, and for the market in its shares to be liquid. The ability of the Company to influence this meaningfully over the longer term is, of course, limited since it is dependent on the market supply of, and demand for, the Company's shares. However, the Board considers the issuance and buyback of the Company's shares where prudent, subject always to the overall impact on the portfolio, the pricing of other comparable investment companies and overall market conditions. The Board believes that flexibility is important and that it is not in shareholders' interests to set specific levels of premium and discount for its issuance and buyback policy.

Arrangements with the Manager

The Company qualifies as an Alternative Investment Fund in accordance with the Alternative Investment Fund Managers Directive. The Company has appointed Henderson Investment Funds Limited (HIFL) to act as its Alternative Investment Fund Manager (AIFM) in accordance with an agreement which has been effective from July 2014 and is terminable on six months' notice. HIFL delegates investment management services to Henderson Global Investors Limited, which acts as Manager. Both entities are wholly owned subsidiaries of Janus Henderson Group plc, referred to as Janus Henderson. Both entities are authorised and regulated by the FCA. References to Janus Henderson and the Manager within this report refer to the services provided by both entities.

The Fund Management Team is led by David Smith, a Fund Manager on the Global Equity Income Team at Janus Henderson, a position he has held since 2008. David has been the Company's Fund Manager since July 2015.

Janus Henderson and its subsidiaries also provide accounting, company secretarial and general administrative services. Some of the administration and accounting services are carried out, on behalf of the Manager, by BNP Paribas Securities Services. Henderson Secretarial Services Limited acts as the Corporate Secretary.

Please refer to the Management Engagement Committee section on page 41 for further details about how the directors consider the continuing appointment of the Manager.

The Investment Management Agreement provides for both a base management fee and a performance fee which is measured over a single financial year.

Strategic Report: Business Model (continued)

Management Fee

The base management fee is charged at 0.50% of adjusted average gross assets under £250 million; a reduced management fee of 0.45% is applied to average adjusted gross assets above £250 million. This average value is calculated by using the values on the last day of each of the two calendar years preceding the reporting year. Average adjusted gross assets are gross assets less current liabilities and less any Janus Henderson managed funds or Janus Henderson Group plc shares within the portfolio. Any debt used for investment purposes, including that recorded in current liabilities, is not deducted from gross assets.

The base management fee is payable quarterly in arrears.

In addition, a supplemental base management fee is paid on any new funds in relation to share issues in the year they were raised, at the pro-rata annual rate. For the following year any funds raised are added to prior year assets for the purposes of calculating the base management fee.

Performance Fee

Performance is measured by calculating the difference between the annual percentage change in net asset value per ordinary share and the benchmark equivalent.

The benchmark is a composite of 80% of the FTSE All-Share Index (total return) and 20% of the ICE BofAML Sterling Non-Gilts Index (total return). A 1.0% hurdle is deducted from any relative outperformance before any performance fee can be paid.

A performance fee of 15.0% is awarded on this relative excess performance less the 1.0% hurdle and applied to the current year's average adjusted quarterly gross assets. The performance fee is subject to a cap of 0.40% of average adjusted gross assets in any one year calculated on a quarterly basis to determine the average.

Any unrewarded outperformance above this cap is carried forward for a maximum of three years but may only be used to offset any underperformance and cannot in itself earn a performance fee. Any underperformance relative to the benchmark will be carried forward and no performance fee will be payable until positive relative performance exceeds any past underperformance. The fees have been structured in this way so that shareholders will only pay a relatively low base management fee in any years of individual or cumulative underperformance.

Managing Risks

In accordance with the AIC Code of Corporate Governance (AIC Code) and FRC Guidance, the Board has established procedures to identify and manage risk and to determine the principal and emerging risks to which the Company is exposed in achieving its long-term objectives. The Company's principal risks are considered to be those that would threaten its business model, future performance, solvency, liquidity and reputation. In addition, it is the Board's responsibility to identify emerging risks which it defines as events, trends or uncertainties that are at an early stage of development but could pose a significant threat to the Company's future and require further monitoring and investigation.

Principal Risks

The Board, with the assistance of the Manager, regularly carries out a robust assessment of the principal and emerging risks facing the Company and seeks assurance that the risks are appropriately evaluated and that effective mitigating controls are in place, where possible. To aid the process, the Company has drawn up a detailed risk matrix, where the individual risks and the application of any relevant controls are described. Such safeguarding measures may be established by the Board itself: for example, the Board has put in place a schedule of investment limits and restrictions, appropriate to the Company's investment objective and policy, to which the Manager must adhere and report upon monthly. Alternatively, the design and application of controls may be delegated by the Board to the Company's third-party service providers, who report regularly to the Board on the effectiveness of their control environments. Using a colour coded traffic light system, each risk within the matrix is assessed, scored and prioritised according to the severity of its potential impact on the Company and its likelihood of occurrence. The principal and emerging risks which have been identified as part of this process, and the steps taken by the Board to mitigate these, are set out in the table overleaf.

The Board do not consider these principal risks to have changed during the year under review and up to the date of this report. There have been two changes to the emerging risks section in the year under review with the removal of risks associated with Brexit (now that the UK has departed from the EU) and the inclusion of risks associated with the legacy of COVID-19.

Strategic Report: Business Model (continued)

Principal Risk	Mitigating Measures	COVID-19 Impact
Investment Risk Risk of long-term underperformance of the Company against the benchmark and/or peer group. This could result in the shares of the Company trading at a persistent discount to net asset value and/or reduced liquidity in the Company's shares. Risk that insufficient income generation could lead to a cut in the dividend.	The Manager provides the Board with regular investment performance statistics against the benchmark and the peer group. The implementation of the investment strategy and results of the investment process for which the Fund Manager is responsible, are discussed with the Manager and reviewed at each Board meeting. The premium/discount to net asset value and the trading volume of the Company's shares are also regularly reviewed, taking account of market conditions. The Manager and the Board maintain close contact with the Company's Broker to understand the supply and demand of shares. The Board reviews the Income Statement and revenue forecasts at each meeting and continually monitors the Company's revenue reserves.	The Company's net asset value fell from £221.6m as at 29 February 2020 to £183.5m as at 31 March 2020 when the impact of the pandemic hit financial markets. Net asset value steadily increased in the months that followed to finish the year at £211.4m. Likewise the discount to net asset value (with debt at fair value) was -3.6% as at 29 February 2020 and widened to -13.5% as at 31 March 2020. The discount at the year-end was -6.5%. The Company utilised a small portion of its revenue reserves to contribute to the dividend shortfall in the year under review. Despite utilising the reserve there was still almost £9 million, well over 8 months' worth of dividend cover remaining. The Manager regularly reports to the Board on the performance of the Company relative to its peers. The Board asked the Fund Manager to provide a weekly update on gearing, the discount, activity in the portfolio and an overview of the markets from the beginning of April to the end of 2020. This has subsequently been replaced from February 2021 with an end of month report to the Board in the months that the Board do not formally meet.
Market/Financial Risk Risk that market conditions lead to a fall in the value of the portfolio (magnified by any gearing) and/or a reduction of income. This could result in loss of capital value for shareholders and/or a cut in the dividend payment.	The Board reviews the Company's compliance with its loan covenants (for both the short-term and long-term facilities) on a monthly basis and additional covenant testing is undertaken in extreme market conditions to give comfort that the Company can meet its financial liabilities. The portfolio is diverse, containing a sufficient range of investments to ensure that no single investment puts undue risk on the sustainability of the income generated by the portfolio or indeed the capital value. Regard is also given to having a broad mix of companies in the portfolio, as well as a spread across a range of economic sectors. The Board reviews the portfolio on a monthly basis. The Manager operates within investment limits and restrictions set by the Board, including limits for gearing and derivatives and confirms compliance with these each month. Any particularly high risks are highlighted and discussed, and appropriate follow up action is taken where necessary. A detailed analysis of the Company's financial risk management policies and procedures can be found in the Financial Risk Management Policies and Procedures note on pages 77 to 82. The Board reviews the Income Statement and revenue forecasts at each meeting and continually monitors the Company's revenue reserves.	Please see above.

Strategic Report: Business Model (continued)

Principal Risk	Mitigating Measures	COVID-19 Impact
Operational Risks including Cyber Risks, Pandemic and Epidemic Risks, and Risks Relating to Terrorism and International Conflicts Risk of loss through inadequate or failed internal procedures, policies, processes, systems or human error. This includes risk of loss to the Company's third-party service providers. Risk of financial loss, disruption or damage to the reputation of the Company, the Manager and the Company's other key third-party service providers, as a result of failure of information technology systems. Risk of loss as a result of external events outside of the Board's control such as pandemic and/or epidemic risks and risks relating to terrorism and/ or international conflicts that disrupt and impact the global economy. This includes the risk of loss to the Company's third-party service providers that are also disrupted and impacted by such events.	The Board receives a quarterly internal control report from the Manager to assist with the ongoing review and monitoring of the internal control and risk management systems it has in place. The Board regularly receives reports from the Manager's Internal Audit, Risk, Compliance, Information Security and Business Continuity Teams. This provides assurance that the Manager has appropriate policies and procedures in place to be able to continue in operation and maintain stability in times of such risks. In particular, the Board asks the Manager to confirm that the Fund Manager can continue to manage the portfolio in these circumstances. The Board makes similar enquiries of its other key third-party service providers to gain assurance that they too have appropriate policies and procedures in place to be able to continue in operation and maintain stability in times of such risks. Please refer to the Internal Control and Risk Management section on page 47 for further details.	Employees of the Manager and the Company's other third-party service providers have worked from home since March 2020. The Board is pleased to report that there has been no deterioration in standards or service from the Manager nor the other service providers. The Board has been given assurances that the Manager and its other service providers, internal control and risk management systems, policies, processes and procedures are working effectively in the new working from home environment. At the start of the pandemic all key service providers were asked to confirm that business would continue "as usual" and the Board is satisfied that each service provider has been able to deliver that level of service. Throughout the year the Board has received regular updates from the Manager on the well-being of its employees and the effectiveness of working from home on the Manager's business operations. The Board was pleased with the seamless transition to new working arrangements at Janus Henderson and remain satisfied that standards are high and that the internal control and risk management framework is operating effectively. The Board has adapted to virtual meetings which have remained rigorous and are constructive and collaborative in nature. The relationship with the Manager is very good, in particular with the Fund Manager and the Company Secretary. Communication from the Manager throughout the pandemic has been strong.
Tax, Legal and Regulatory Risk Risk that a breach of, or a change in laws and regulations, could materially affect the viability and appeal of the Company, in particular s.1158/9 which exempts capital gains from being taxed within investment trusts.	The Manager has been contracted to provide investment, company secretarial, administration and accounting services through qualified professionals. The Board receives internal control reports produced by the Manager on a quarterly basis, which confirm tax, legal and regulatory compliance.	The Board took advantage of the Corporate Insolvency and Governance Act 2020 to hold a "closed meeting" AGM in 2020. Despite no physical AGM, the Board had promoted the Company's marketing efforts to engage and communicate with shareholders, in particular content from the Fund Manager distributed throughout the year. The Board is committed to holding physical meetings when restrictions are not in place and these can be held safely. However, in case of any further extraordinary crises such as the COVID-19 lockdown, the Company is putting a proposed amendment to the Company's Articles of Association to shareholders this year to enable a combination of virtual and physical shareholder meetings to be held in the future, as necessary. The Manager and the Board closely monitor the Company's revenue retention to ensure compliance with s.1158/9.

Strategic Report: Business Model (continued)

Emerging Risks

With the help of the Manager's research resources and using its own market intelligence, the Board continually monitors the changing risk landscape and any emerging and increasing threats to the Company's business model. Such emerging risks could cause disruption for the Company, if ignored, but, if identified, could provide business opportunities. The emerging risks identified below are currently being evaluated and monitored.

Emerging Risk	Mitigating Measures
Risks Associated with the Legacy of COVID-19 The unknown duration and severity of the impact of COVID-19 on the economy and society, including any permanent structural changes that might occur.	During 2020 the Company's income has proven relatively resilient in comparison to the UK market, thanks to the Fund Manager's careful construction of a well-diversified portfolio. The Company's revenue reserves remain strong with approximately 8 months' of dividend cover brought forward to support shareholders' income requirements. The portfolio is run by an experienced and competent Fund Manager who has proven throughout the year under review that the portfolio can be adapted and positioned to meet the challenges the pandemic has presented whilst protecting income and the opportunity for capital appreciation in the future.
Risks Associated with Climate Change Risk that investee companies within the Company's portfolio fail to respond to the pressures of the growing climate emergency and fail to limit their carbon footprint to regulated targets, resulting in reduced investor demand for their shares and falling market values.	Please refer to the Environmental, Social and Governance Matters section on pages 34 to 36 for further details.

Viability Statement

The Company seeks to provide superior income generation and long-term capital growth for its shareholders. The Board aims to achieve this by pursuing the Company's business model and strategy through the investment objective and policy. The Board will continue to consider and assess how it can adapt the business model and strategy of the Company to ensure its long-term viability in relation to its principal and emerging risks.

The Board also considers:

- the prospects of the Company including the liquidity of the portfolio (which is mainly invested in readily realisable listed securities);
- the level of borrowings (which are restricted);
- the closed-ended nature as an investment company (therefore there are no issues arising from unexpected redemptions);
- a low ongoing charge (0.93% for the year-ended 31 December 2020 (2019: 0.80%)); and
- long-term borrowings in place in the form of the 3.67% senior unsecured note which matures in July 2034 (the value of this long-term borrowing is relatively small in comparison to the value of net assets at 9.4% as at 31 December 2020).

Furthermore, the Company retains title to all assets held by the Custodian (under the terms of the formal agreement with the Depositary), cash is held with approved banks and revenue and expenditure forecasts are reviewed at each Board meeting. The Fund Manager provides an additional, conservative stress-tested revenue forecast at least once a year to assist the Board with its dividend decision making. The Company's revenue reserves have grown in the last few years and there is now approximately 8 months' worth of dividend cover which gives additional comfort for any difficult years that may arise in the future.

The Board believes it is appropriate to assess the Company's viability over a five-year period in recognition of its long-term horizon and taking account of the Company's current position and the assessment factors detailed above.

When assessing the viability of the Company over the next five years the directors considered its ability to meet liabilities as they fall due. This included consideration of the duration of the Company's borrowing facilities and how a breach of any loan covenants could impact on the Company's net asset value and share price. The Board also considered the Company's viability in the context of the COVID-19 pandemic and the end of the transition period relating to the UK's departure from the EU.

The Board does not envisage any change in strategy or investment objective, or any events that would prevent the Company from continuing to operate over the next five years as the Company's assets are liquid, its commitments are limited, and the Company intends to continue to operate as an investment trust. The Board notes the Company's next

Strategic Report: Business Model (continued)

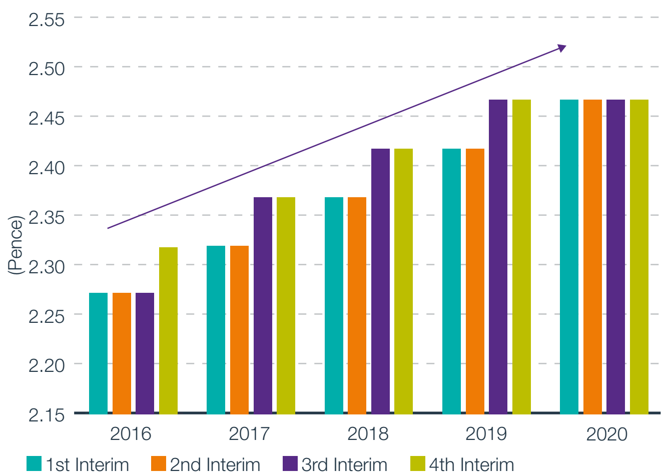
continuation vote is due to take place at the AGM in 2025. Last year the Board received feedback from the Fund Manager, the Janus Henderson Investment Trust Sales Team and the Company's Broker from meetings held with shareholders. That feedback suggested that the shareholders were supportive of the Company continuing in operation for a further five-year period and beyond. Having discussed feedback from the Fund Manager and the Janus Henderson Investment Trust Sales Team in the year under review, the Board remains confident that shareholders remain supportive of the Company. The Board takes comfort in the robustness of the Company's position, performance, liquidity and the well-diversified portfolio, as well as the Fund Manager's monitoring of the portfolio. The Board is reassured that the Company is well-equipped to navigate the significant societal, economic and financial impact of the COVID-19 pandemic and therefore has a reasonable expectation that the Company will continue in operation and meet its liabilities as they fall due up to and including the year-ending 31 December 2025.

Please also refer to the directors' statement of going concern on page 70.

Key Performance Indicators

In order to measure the success of the Company in meeting its objectives and to evaluate the performance of the Manager, the directors take into account a number of Key Performance Indicators ('KPIs').

Dividend per share[1]

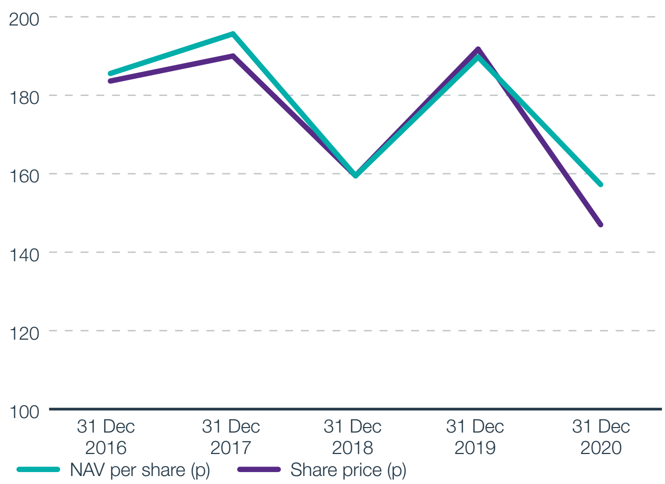


1 Based on the dividends paid or announced for the year
Source: Henderson High Income Trust plc Annual Reports

The Board places a high level of importance on maintaining the Company's quarterly dividend payments. The aim is to maintain a suitable asset allocation that will permit a sustainable high level of dividend distributions to shareholders with the potential to grow in the longer term. The Board reviews the Company's revenue account at each meeting, along with the appropriateness of its dividend payments. The Board also compares the yield on the Company's shares to other relevant AIC sectors.

Shareholders must, however, recognise that dividend payments can never be guaranteed, and that exceptional circumstances could arise when it would be necessary to reduce a dividend payment. The Board may from time-to-time decide to utilise some of the Company's revenue reserves for dividends as was the case in 2020. Equally, there may be instances when the level of payment must be increased in order to comply with s.1158/9 which requires an investment trust not to retain more than 15% of its total income. In such instances the Board may decide to announce one-off 'special dividend' payments to shareholders.

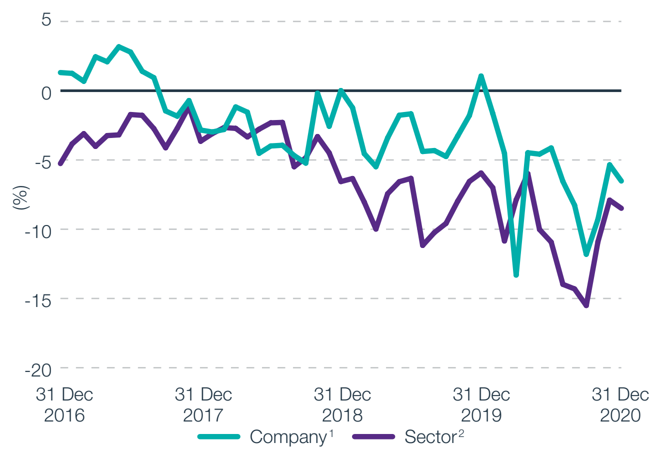
NAV[1] per share and share price



1 Net asset value with debt at fair value as published by the AIC

At each meeting, the Board reviews the performance of the portfolio as well as the Company's net asset value (with debt at par value and fair value) and share price. The Board also compares the performance of the Company against its benchmark. The Board has determined that this measure should be used to calculate whether a performance fee is payable to the Manager. Please refer to page 27 for further details.

Premium/discount to 31 December 2020



1 Premium/discount based on net asset value with debt at fair value
2 The AIC Equity and Bond Income sector

Strategic Report: Business Model (continued)

At each meeting, the Board monitors the level of the Company's premium or discount to net asset value per share and reviews the average premium or discount for other relevant AIC sectors.

Ongoing Charge

The Board regularly reviews the ongoing charge and monitors all Company expenses, with a detailed schedule of expenses reviewed twice a year in conjunction with the half year and full year financial results. The ongoing charge for the year-ended 31 December 2020 was 0.93% (2019: 0.80%). No performance fee was payable for the year-ended 31 December 2020 (2019: same).

Board Diversity

It is the Company's aim to have an appropriate level of diversity in the boardroom. The Board welcomes the recommendations from the Hampton-Alexander Review regarding the proportion of women on boards, and the Parker Review about ethnic representation on boards. Whilst the Board does not feel that it would be appropriate to use specific diversity targets, the directors acknowledge that diversity is important to ensure that the Company can draw on a broad range of backgrounds, skills, knowledge, experience and perspectives to achieve effective stewardship of the Company.

The Nominations and Remuneration Committee considers diversity generally when making recommendations for appointments to the Board, taking into account gender, social and ethnic backgrounds, cognitive and personal strengths, and experience. All Board appointments are subject to a formal, rigorous and transparent procedure. The prime responsibility of the Committee, however, is to ensure the strength of the Board and the overriding aim in making any new appointments is always to select the best candidate based on objective criteria and merit. Currently the Board comprises six directors, three males and three females. When Margaret Littlejohns retires from the Board at the conclusion of the 2021 AGM the Board will comprise of three males and two females, which meets the requirement of the Hampton-Alexander Review (minimum 33% female representation).

The Board recognises the benefits of diversity and therefore takes an interest in the diversity initiatives in place at its other service providers and in particular, the Manager. Janus Henderson fosters and maintains a diverse environment that values the unique talents and contributions of every individual. The Manager cultivates and practises inclusiveness for the long-term success of the business and for the benefit of employees, clients, shareholders and community. Please follow the link to Janus Henderson's website for more details about its Diversity & Inclusion initiative: https://diversityproject.com/organisation/janus-henderson

The Board is supportive of developing talent and recognises the challenges all organisations face to ensure there is a sufficient pipeline of talent. To assist the Manager in this regard the Board invites selected junior members of the Janus Henderson Global Equity Income Team and Investment Trust Secretariat Team to its meetings to gain experience and exposure to the boardroom.

For and on behalf of the Board

Margaret Littlejohns
Chairman
31 March 2021

Environmental, Social and Governance Matters

Environmental, Social and Governance Matters

Our Approach to Environmental, Social and Governance Matters

The Board believes that integrating environmental, social and governance (ESG) factors into the investment decision making and ownership practices is an important element in delivering the Company's investment objective. ESG considerations are a fully integrated component of the investment processes employed by the Fund Manager and the wider investment teams at Janus Henderson.

Defining ESG

- **Environmental** factors include climate change, energy efficiency, resource depletion and water and waste management.
- **Social** factors include employee and community relations, diversity, quality of life, enhancements in knowledge and advances in supportive technology for improved sustainability.
- **Governance** factors include mitigating risks such as bribery and corruption, questioning board diversity, executive pay, accounting standards and shareholder rights, and positively influencing corporate behaviour.

Investment Considerations

Business sustainability is at the core of the investment strategy of the Company which includes considerations on ESG issues. As with managing a business's operational and financial risks, those companies with good processes for managing ESG risk factors outperform. While no company is specifically excluded from investment on ESG grounds, the Fund Manager seeks to understand how a company is managing ESG risks through its policies and processes and where its investments are targeted to evolve its business models to remain sustainable over the longer term.

The analysis of ESG factors is integrated into the stock selection and monitoring process. As with understanding a company's fundamentals and financial health, the evaluation of ESG risks and opportunities is also integral to determine the value of a business.

When analysing ESG factors the Fund Manager will seek to:

1) Identify the risks
Determining the underlying ESG risks a company is exposed to is the crucial first step in the process. Companies within similar sectors and industries will have common ESG risks associated with them but it is important to understand the specific ESG risks to each company. These specific risks are considered under the following areas:

- Corporate governance
- Resource use
- Environmental & social impact of products and services
- Business ethics
- Human capital
- Product governance

2) Analyse the controls and actions
Once the key and material ESG risks are identified, it is imperative to gain insight into the controls and actions a company performs to mitigate those risks. ESG risks are unavoidable for most companies but it is how a business adapts its processes and operations to minimise the impact of those risks which could have significant implications for a company's cash flow and dividend sustainability. While companies with very high ESG risks are likely to be avoided, those companies that have high ESG risks but demonstrate strong controls may be considered for investment.

3) Assess sustainability targets
Business sustainability is imperative to the long-term value of a company which includes the consideration of ESG factors. Companies need to adapt their business models to changes in ESG attitudes and regulation to remain sustainable and having realistic targets helps determine their ability and willingness to change. It also gives a good framework to hold management accountable for the success or failure in delivering on sustainability goals.

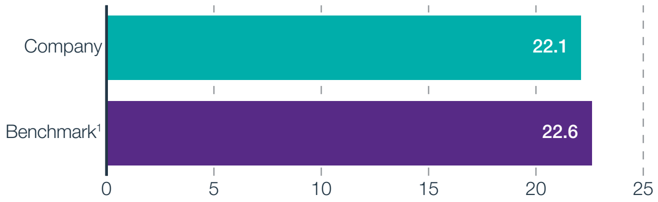
4) Engage with management
Company engagement forms an important part of the Fund Manager's investment process and incorporates a wide range of topics including business strategy, capital allocation, remuneration incentives, business risks, management succession as well as ESG issues.

The Janus Henderson Governance & Responsible Investment Team (GRI Team) assist with engagement matters, including those of an ESG nature, in respect to the positions held across the portfolio. The GRI Team screen portfolios for major ESG issues and work to highlight important ESG engagement topics ahead of company meetings or any communications with companies. In addition, the GRI Team directly engage with companies with or on behalf of the Fund Manager on a wide range of ESG themes including key topics such as climate change, social considerations and natural resource consumption. Engagement is an ongoing process between the team and senior management, with the team monitoring the progress made on issues raised.

Janus Henderson engages Sustainalytics, an independent leading firm researching and rating ESG factors globally, to support investment research. The Company's equity and bond portfolio, as at 31 December 2020, exhibited the following factors, as defined by Sustainalytics' analysis.

Environmental, Social and Governance Matters
(continued)

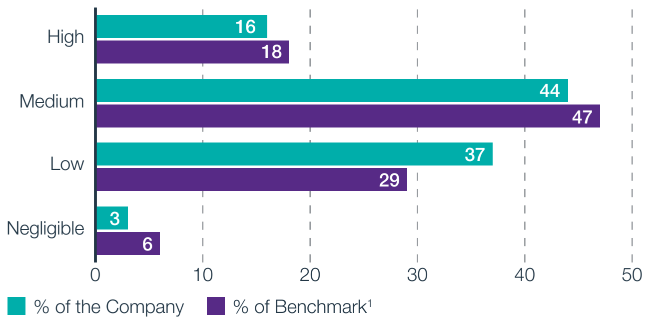
Overall ESG risk rating



Source: Sustainalytics as at 31 December 2020

The ESG risk rating measures the degree to which a company's economic value is at risk due to ESG factors, as assessed though Sustainalytics' calculation of the company's unmanaged ESG risks. The Company's overall ESG coverage is 93% (benchmark of 89%).

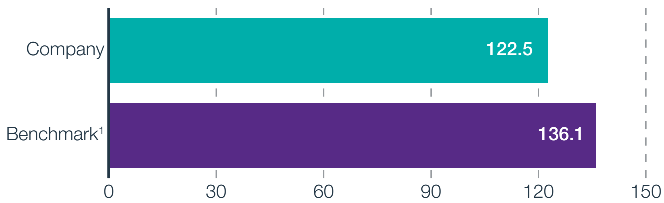
ESG risk exposure by category



Source: Sustainalytics as at 31 December 2020

The ESG risk exposure considers a company's sensitivity or vulnerability to ESG risks. Lower exposure scores indicate that the constituent companies face less risk. The Company's portfolio has less exposure to companies with high and medium ESG risks and higher exposure to companies with low ESG risks than the benchmark.

Carbon intensity (tCO_2e/USD million)



Source: Sustainalytics as at 31 December 2020

Carbon intensity is a metric used to compare company emissions across industries. Sustainalytics divides the absolute emissions by total revenue, meaning the figure is expressed in tonnes of carbon dioxide equivalent per USD million of total revenue. The Company's overall portfolio is 10% less carbon intensive than the benchmark.

1 The benchmark is a composite of 80% of the FTSE All-Share Index (total return) and 20% of the ICE BofAML Sterling Non-Gilts Index (total return) rebalanced annually

As these reports are disclosed for the first time this year there is no comparative data but it is intended to produce comparative data in future years.

Stewardship and Company Engagement

Stewardship is an integral and natural part of Janus Henderson's long-term, active approach to investment management. Strong ownership practices, such as management engagement and proxy voting, can help protect and enhance long-term shareholder value. Janus Henderson entities support a number of stewardship codes and broader initiatives around the world including being a founder signatory of the UN Principles for Responsible Investment. The intensive research of the portfolio managers and analysts involves conducting on an annual basis thousands of interviews with senior executives and chairmen of companies throughout the world. These teams naturally develop long-term relationships with the management of firms in which they invest. Should concerns arise over a firm's practices or performance, they seek to leverage these constructive relationships by engaging with company management or expressing their views through voting on management or shareholder proposals. Escalation of the engagement activities depends upon a company's individual circumstances.

Voting

The Board believes that voting at general meetings is an important aspect of corporate stewardship and a means of signalling shareholder views on board policy, practices and performance. The Board has chosen to delegate responsibility to Janus Henderson for voting the rights attached to the shares held in the Company's equity portfolio and the Manager actively votes at shareholder meetings and engages with companies as part of the voting process.

Voting decisions are taken in keeping with the provisions of the Manager's ESG Investment Principles. These can be found on the Manager's website at www.janushenderson.com.

Corporate governance regimes vary significantly as a function of factors such as the relevant legal system, extent of shareholder rights and level of dispersed ownership. The voting and engagement activities vary according to the market and pay close attention to local market codes of best practice.

However, there are certain core principles that are universal:

- disclosure and transparency;
- board responsibilities;
- shareholder rights; and
- audit and internal controls.

A key element of the Board's approach to proxy voting is to support these principles and to foster the long-term interests of the Company's shareholders.

Environmental, Social and Governance Matters
(continued)

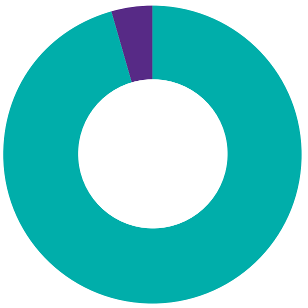
In order to retain oversight of the process, the Board receives an annual report on how the Manager has voted the shares held in the Company's equity portfolio and reviews, at least annually, the Manager's ESG Corporate Statement and ESG Investment Principles.

In the period under review, investee companies held 71 general meetings. The shares held in the Company's equity portfolio were voted in respect of 95.8% of these meetings with the remaining 4.2% not voted due to voting impediments.

The level of governance in leading global companies is generally of a high standard in terms of best practice which has meant that support in favour of the resolutions proposed by management was warranted. However, out of the 71 meetings held there were 6 where the Manager voted against or abstained from at least one resolution, following discussion between the Fund Manager and Janus Henderson's GRI Team. On occasion, the Manager takes voting decisions after consultation with the Chairman on behalf of the Board.

In terms of the resolutions not supported, these all related to executive remuneration policies and a single abstain vote was made in relation to the payment of dividends, as this item was withdrawn by the company.

Voting record



The Environment

As an investment company, the Company's own direct environmental impact is minimal. The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 or the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Janus Henderson recognises the importance of managing its operational activities in a sustainable way and minimising any adverse impact on the environment. To this end, Janus Henderson has made the following commitments:

- maintain a carbon neutral status;
- reduce carbon use by 15% per full time employee over a three year period – starting January 2019; and
- maintain a Carbon Disclosure Project (CDP) score of B, which is higher than the financial services sector average CDP score of C (CDP scores range from A to D, with A being the best).

Business Ethics

As the Company's operations are delegated to third-party service providers, the Board seeks assurances, at least annually, from its service providers that they comply with the provisions of the UK Modern Slavery Act 2015 and maintain adequate safeguards in keeping with the provisions of the Bribery Act 2010 and Criminal Finances Act 2017.

Governance

Board of Directors

Directors

The directors appointed to the Board at the date of this report are set out below. The Notice of Meeting that has been sent to shareholders with this report sets out the specific reasons why each director's contribution is, and continues to be, important to the Company's long-term sustainable success. The Notice of Meeting is also available from the 'Documents' section on the Company's website www.hendersonhighincome.com.

The Nominations and Remuneration Committee is responsible for ensuring that on appointment each director receives a letter of appointment that sets out, amongst other matters, what is expected of them in terms of time commitment. The annual board evaluation also considers the time commitment of the directors. The Board considers that each director appointed as at the date of this report allocates sufficient time to the Company to perform his/her responsibilities effectively.

Margaret Littlejohns (Chairman)

Date of appointment: 1 July 2008 (appointed Chairman of the Board on 3 May 2016)

Committees: Margaret is Chairman of the Management Engagement Committee, and a Member of the Audit and Risk Committee and Nominations and Remuneration Committee.

Relevant skills and experience: Margaret spent the early part of her career with Citigroup, gaining 18 years' experience in both the commercial and investment banking divisions, latterly specialising in derivatives and market risk management. Between 2004 and 2006 she co-founded two start-up ventures providing self-storage facilities to domestic and business customers in the Midlands, acting as Finance Director and Company Secretary until the businesses were successfully sold to a regional operator in 2016. She was previously a non-executive director and Chairman of the Audit Committee of JPMorgan Mid Cap Investment Trust plc until October 2019.

Current external appointments: Margaret is a non-executive director of Foresight VCT plc and in 2018 she was appointed to the board of UK Commercial Property REIT Ltd, where she also serves as Chair of the Risk Committee. She is also a Trustee of The Lymphoma Research Trust.

Richard Cranfield

Date of appointment: 1 March 2020

Committees: Richard is a Member of the Nominations and Remuneration Committee, Audit and Risk Committee and Management Engagement Committee.

Relevant skills and experience: Richard has spent 40 years at the highest levels of legal practice. He has extensive understanding of corporate governance and understands financial institutions from his career at Allen & Overy LLP and as the Chair of IntegraFin Holdings plc. This has also given him a good understanding of the workings of investment platforms which the Board believes is important as more of the Company's shareholders choose to hold their shares through platforms.

Current external appointments: Richard is a Partner in law firm Allen & Overy LLP, where he is Global Chairman of the Corporate Practice and Co-Head of its Financial Institutions Group. He is also Chair of IntegraFin Holdings plc.

Zoe King (Senior Independent Director)

Date of appointment: 1 April 2016 (appointed Senior Independent Director on 23 June 2020 and Chairman of the Nominations and Remuneration Committee on 17 November 2020).

Committees: Zoe is Chairman of the Nominations and Remuneration Committee, and a Member of the Audit and Risk Committee and Management Engagement Committee.

Relevant skills and experience: Zoe is an experienced investment professional and a Director of Smith & Williamson Investment Management Limited, which ensures that her fund management skills and knowledge remain up to date. Zoe utilises her fund management background to bring an objective view to the Manager's investment strategy and to challenge the Manager on investment decisions, while her years of experience in looking after the capital of individuals bring a shareholder's perspective to board discussions.

Current external appointments: Zoe is a Director of Smith & Williamson Investment Management Limited, specialising in the management of private client portfolios. She is also a member of the Trinity College Oxford Investment Committee, the Carvetian Capital Fund Investment Committee and the Stramongate S.A Shareholder Advisory Committee.

Board of Directors (continued)

Penny Lovell

Date of appointment: 1 January 2021

Committees: Penny is a Member of the Nominations and Remuneration Committee, Audit and Risk Committee and Management Engagement Committee.

Relevant skills and experience: Penny has extensive experience in investment management and financial planning, including succession planning, family governance, philanthropy and next generation advice. Given the increasing number of retail investors on the Company's share register the board recognised the importance of seeking potential candidates with experience of retail investors, with a background in product development and/or platform distribution and Penny's experience fulfils this requirement.

Current external appointments: Penny is the CEO of Sanlam Private Wealth. In addition to her executive role, she is a trustee of Pennies the Digital Moneybox and Prism, the Gift Fund.

Jeremy Rigg (Chairman Elect)

Date of appointment: 1 April 2018

Committees: Jeremy is a Member of the Nominations and Remuneration Committee, Audit and Risk Committee and Management Engagement Committee.

Relevant skills and experience: Jeremy provides an objective and broad view to board discussions and challenges the Manager on investment decisions. His role as an independent investment consultant means he stays up to date on industry trends and knowledge. Jeremy has over 25 years' experience in the investment management industry and has proven himself as a key member of the board. He was therefore chosen to become the Company's next Chair at the conclusion of the 2021 AGM when the existing Chair retires.

Current external appointments: Jeremy is a Director of Moorland Green Properties Limited.

Jonathan Silver (Chairman of the Audit and Risk Committee)

Date of appointment: 2 January 2019

Committees: Jonathan is Chairman of the Audit and Risk Committee and a Member of the Nominations and Remuneration Committee and Management Engagement Committee.

Relevant skills and experience: Jonathan is a qualified accountant and therefore brings financial and accounting skills and experience to the board. He is an experienced non-executive director and in particular brings previous investment trust experience and leadership skills to the board from his roles as Chief Financial Officer of Laird plc, and as Audit Committee Chairman of Spirent Communications plc and Invesco Income and Growth Trust plc. Jonathan has recent and relevant financial experience, a principal requirement for the composition of an Audit Committee under the UK Corporate Governance Code.

Current external appointments: Jonathan is a non-executive director and Chairman of the Audit Committee of Spirent Communications plc, a position he has held since 2015. He is also the Chairman of the Audit Committee at Invesco Income and Growth Trust plc, having been appointed in 2007. Since 2017 Jonathan has been a non-executive director of East and North Hertfordshire NHS Trust.

All directors are Members of the Insider Committee that meets when required in accordance with the Market Abuse Regulations. Jeremy Rigg will succeed Margaret Littlejohns as Chairman of the Board at the conclusion of the 2021 AGM.

Corporate Governance Report

Committees of the Board

Board of Directors

Comprises independent non-executive directors

Chairman: Margaret Littlejohns

Non-executive oversight of the Company's operations; selection and appointment of service providers

Audit and Risk Committee

Chairman:
Jonathan Silver

Purpose: Ensure the integrity of the financial reporting, evaluate the effectiveness of the systems of internal control and risk management, and oversee the relationship with the external auditors.

Management Engagement Committee

Chairman:
Margaret Littlejohns

Purpose: Formally evaluate the overall performance of the Manager and other third-party service providers engaged by the Company and consider whether their continuing appointment is in the interests of shareholders.

Nominations and Remuneration Committee

Chairman:
Zoe King

Purpose: Advise on the composition of the Board and its Committees, in making appointments to the Board and ensuring suitable succession plans are in place. It also has responsibility for setting the Remuneration Policy and setting remuneration levels for the non-executive directors.

Contractually engages third-party service providers

Company's operations carried out by specialised third-party service providers

Janus Henderson

Fund Management: Led by David Smith as Fund Manager
Sales, Marketing, Company Secretary
Alternative Investment Fund Manager: Henderson Investment Funds Limited

HSBC Bank plc
Depositary and Custodian

Computershare Investor Services PLC
Registrar

JPMorgan Cazenove
Corporate Broker

The terms of reference for each of the Committees of the Board are kept under regular review and are available on the website: www.hendersonhighincome.com.

Corporate Governance Report (continued)

Audit and Risk Committee

Please refer to the Report of the Audit and Risk Committee on pages 46 to 50.

Management Engagement Committee

Membership

All directors are members of the Committee.
Margaret Littlejohns is the Chairman of the Committee.

Meetings

The Committee meets at least annually, with additional meetings scheduled when required.

Role and Responsibilities

The Committee is responsible for formally evaluating the overall performance of the Manager and other third-party service providers engaged by the Company, to consider whether their continuing appointment is in the interests of the Company and its long-term sustainable success.

Activities in the year under review:

The Board monitors the performance of the Manager by reviewing key performance indicators at each meeting. A separate formal review of the Manager is undertaken by the Committee each year. This includes a questionnaire, that each director is asked to complete, about the Manager's performance. The Committee also assess the Manager's compliance with legal and regulatory obligations, the key components of the Investment Management Agreement, the composition of the Janus Henderson team that directly input to the work of the Company, fees, cumulative and annual performance figures in comparison to the Company's AIC peer group companies (those in the UK Equity & Bond Income sector) and those in the UK Equity Income sector with total assets under management >£200m and <£700m, and the management and performance fee arrangements compared against the other Janus Henderson managed investment trusts.

Continuing appointment of the Manager

The Committee has concluded that the continuing appointment of Janus Henderson as Manager to the Company on the existing terms continues to be in the best interests of the long-term success of the Company and its shareholders. It also strengthened the existing relationship with the Manager and the Company's other third-party suppliers without compromising the Board's independence. The Committee was satisfied that the high standards of business conduct expected in the services of the Company's suppliers had been demonstrated.

Nominations and Remuneration Committee

Membership

All directors are members of the Committee. Zoe King, the Company's Senior Independent Director was appointed Chairman of the Committee on 17 November 2020. Prior to that Margaret Littlejohns was Chairman of the Committee.

Meetings

The Committee meets at least annually, with additional meetings scheduled when required.

Role and Responsibilities

The Committee advises the Board on the composition of the Board and its Committees, on making appointments to the Board and ensuring suitable succession plans are in place for the directors and Fund Manager. It also has responsibility for setting the Remuneration Policy (please refer to page 51) for all of the independent non-executive directors.

Activities in the year under review:

Please refer to the s172(1) statement on page 24 for details of the Committee's involvement in the appointment of a new director.

The Chairman of the Board led the review of the annual performance evaluation process. The evaluation was conducted by way of a questionnaire circulated to each individual director in advance and followed up with a one-to-one interview with the Chairman. The evaluation addressed board composition including knowledge, skills, diversity, experience, independence and time commitment of the directors. The feedback from the evaluation was resoundingly positive. Each director made a valuable contribution to the Board and its discussions and all directors remained independent in character and judgment. There was a good balance of skills and experience on the Board. The progressive refreshment of directors over the last four years helped to ensure an orderly succession for appointments going forward and to maintain an appropriate balance of skills and experience.

Meetings were more challenging in the year under review as the majority of them had been held virtually as a result of the pandemic. However, the directors felt that meetings had remained rigorous, and were constructive and collaborative in nature.

The relationship with the Manager was considered very good, in particular with the Fund Manager and the Company Secretary, noting that communication from the Manager throughout the pandemic had been strong.

Despite no physical AGM in 2020, the Board had promoted the Company's marketing efforts to engage and communicate with shareholders. In particular, the Fund Manager distributed information frequently on the Company's website and via other channels throughout the year.

Corporate Governance Report (continued)

The evaluation identified some areas for improvement going forward, particularly an increased focus on marketing activity throughout 2021 with the aim of reducing the discount to net asset value and attracting investors to buy the Company's shares.

In accordance with the Board's succession plans, the Chairman of the Board will be standing down at the AGM in 2021. The Committee considered appointing one of the Board's existing independent non-executive directors to be the next Chairman of the Board, with Mr Silver being appointed Chairman of the meeting for this discussion. The directors' appointments and significant commitments were reviewed as part of this process. There was a unanimous agreement that Jeremy Rigg was the most suitable candidate for the position, having over 25 years' experience in the investment management industry and also having proven himself as a key member of the Board. In accordance with provision 13 of the AIC Code he was deemed to be independent on his appointment to the Board and continued to be independent. Furthermore, he did not have any relationships that may create a conflict of interest between the Chairman's interest and those of shareholders.

The Board subsequently accepted the Committee's recommendation that Jeremy Rigg should succeed Margaret Littlejohns as Chairman of the Board at the conclusion of the AGM in 2021.

Arrangements with Directors

Board Composition

The Articles of Association provide that the total number of directors shall not be less than two nor more than ten in number. The Board currently consists of six non-executive directors but will revert to five at the conclusion of the 2021 AGM. All of them served throughout the year under review with the exception of Richard Cranfield who was appointed to the Board on 1 March 2020 and Penny Lovell who was appointed to the Board on 1 January 2021. The biographies of the directors holding office at the date of this report, which are set out on pages 38 to 39, demonstrate the breadth of investment, commercial, legal, financial and other professional experience relevant to their positions as directors.

Directors' Appointment and Re-appointment

The Board may appoint directors to the Board and any director so appointed must stand for appointment by the shareholders at the first AGM following their appointment, in accordance with the Articles of Association. Penny Lovell will offer herself for appointment by the shareholders at the AGM in 2021.

Richard Cranfield, Zoe King, Jeremy Rigg and Jonathan Silver will offer themselves for re-appointment by the shareholders at the AGM in 2021.

Under the Articles of Association, shareholders may remove a director before the end of his or her term by passing an ordinary resolution at a general meeting.

Policy on Tenure

Following the Chairman's retirement at the AGM in 2021, no director is expected to serve for more than nine years unless particular circumstances warrant it, for example to facilitate effective succession planning, maintain continuity in post (particularly in regard to the Chairman) or promote diversity. In these exceptional cases an explanation for such a decision will be given to shareholders.

As an investment company the Board is comprised entirely of independent non-executive directors. In practice this means that the Chairman of the Board assumes executive functions in the absence of a CEO, and therefore there may be occasions when the Board may decide to extend the tenure of the Chairman for the sake of continuity and/or historical knowledge of the Company. This may be so particularly if an existing non-executive director is appointed as Chairman of the Board.

Directors' Independence

The independence of the directors is determined with reference to the AIC Code. The Committee considers the independence of each director at least annually by reviewing the directors' other appointments and commitments, as well as their tenure of service and any connection they may have with the Manager. The Board does not believe that length of service on the Board necessarily compromises a directors' independence nor that it should necessarily disqualify a director from seeking re-appointment.

There were no contracts subsisting during or at the end of the year in which any director is or was materially interested and which is or was significant in relation to the Company's business. No director has a contract of service with the Company and there are no agreements between the Company and its directors concerning compensation for loss of office.

In the year under review, the Nominations and Remuneration Committee determined that all directors continued to be independent in character and judgment. The Committee believed that the individual director's skills, broad business experience and knowledge and understanding of the Company were of benefit to shareholders and its long-term sustainable success.

Directors' Professional Development

Newly appointed directors are offered a bespoke induction programme which covers the legal and regulatory framework for investment companies and the operations of the Manager, including risk, compliance and internal audit, financial reporting oversight and bespoke sales and marketing specific to the Janus Henderson managed investment trusts.

Corporate Governance Report (continued)

Directors' Conflicts of Interest

The Company's Articles of Association permit the Board to consider and, if it sees fit, to authorise situations where a director has an interest that conflicts, or may possibly conflict, with the interests of the Company (situational conflicts). The Board has a formal system in place for directors to declare situational conflicts to be considered for authorisation by those directors who have no interest in the matter being considered. In deciding whether to authorise a situational conflict, the non-conflicted directors must act honestly and in good faith with a view to the best interests of the Company and they may impose limits or conditions when giving the authorisation, or subsequently, if they think this is appropriate. Any situational conflicts considered, and any authorisations given, are recorded in the relevant meetings' minutes. The prescribed procedures have been followed in deciding whether, and on what terms, to authorise situational conflicts and the Board believes that the systems it has in place for reporting and considering situational conflicts continue to operate effectively. Furthermore, no conflicts of interest have been identified that would allow third-parties to influence or compromise the individual director's independent judgment.

Directors' Insurance and Indemnification

Directors' and officers' liability insurance cover is in place in respect of the directors. Under the Company's Articles of Association and subject to the provisions of UK legislation, a qualifying third-party provision indemnity may be provided to directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as directors, in which they are acquitted, or judgment is given in their favour by the Court. No indemnity was given during the year or up to the date of this report.

Board Attendance

The table below sets out the number of formal Board and Committee meetings held during the year under review and the number of meetings attended by each director. All directors attended the 2020 AGM, with the exception of Penny Lovell who was not appointed to the Board at that time. The Insider Committee did not meet.

	Board	AC	NC	MEC
Number of Meetings	**6**	**3**	**2**	**1**
Margaret Littlejohns	6	3	2	1
Richard Cranfield[1]	5/5	3	2	1
Zoe King	6	3	2	1
Anthony Newhouse[2]	3/3	1/1	2	n/a
Jeremy Rigg	6	3	2	1
Jonathan Silver	6	3	2	1

1 Appointed to the Board on 1 March 2020
2 Retired from the Board on 23 June 2020
AC: Audit & Risk Committee
NC: Nominations & Remuneration Committee
MEC: Management Engagement Committee

A number of additional ad hoc meetings were held in the year under review to discuss matters related to the COVID-19 pandemic. There were three additional Nominations and Remuneration Committee meetings in the year under review associated with the appointment of a new director.

Applicable Corporate Governance Codes

The Company maintains a premium listing on the London Stock Exchange and is therefore required to report on how the principles of the UK Corporate Governance Code (UK Code) have been applied. The AIC Code of Corporate Governance (AIC Code) has been endorsed by the Financial Reporting Council. This enables boards to report against the AIC Code and still meet their obligations in relation to the UK Code and associated disclosure requirements under paragraph 9.8.6 of the Listing Rules.

Closed-ended investment companies have particular factors which have an impact on their governance arrangements and the AIC Code adopts the principles and provisions of the UK Code to make them relevant for investment companies. The Board has therefore chosen to report under the AIC Code. The Company is governed entirely by a Board of non-executive directors therefore the Company has no executive directors or senior management remuneration packages.

For the year-ended 31 December 2020 the Company has complied with all the provisions of the AIC Code with the exception of provision 9.2.37 to establish a separate Remuneration Committee. Instead the Board has established a combined Nominations and Remuneration Committee comprising all of the independent non-executive directors. Given that the Company has a simple remuneration structure (a Board of independent non-executive directors that are not entitled to executive remuneration packages including bonuses and long term incentive schemes) it was deemed sufficient for a combined Nominations and Remuneration Committee to be formed.

In the year under review the Board appointed Zoe King, the Company's Senior Independent Director, as Chairman of the Nominations and Remuneration Committee to replace Margaret Littlejohns, the Chairman of the Board, in recognition of the AIC Code and UK Code provisions, and following feedback from one of the Company's largest shareholders. The Board is satisfied that Zoe King was independent on her appointment and continues to be independent in both character and judgment.

Copies of the AIC Code and the UK Code can be found on the respective organisations' websites: www.theaic.co.uk and www.frc.org.uk.

Corporate Governance Report (continued)

The Board

Role of the Board

The Board is responsible for providing leadership, setting the investment objective and policy, appointing the Company's third-party service providers, establishing a robust internal control and risk management system and monitoring the performance delivered by its service providers within the established control framework.

The Board meets formally at least six times a year, with additional Board or Committee meetings arranged when required. The directors have regular contact with the Manager between formal meetings. The Board has a formal Schedule of Matters Reserved for its decisions (which is available at **www.hendersonhighincome.com**) which include strategy and management, structure and capital, financial reporting and controls, internal controls and risk management, contracts, communications, board membership and other appointments, delegation of authority, remuneration and other matters.

At each meeting the Board reviews the Company's investment performance and considers financial analyses and other reports of an operational nature. The Board monitors compliance with the Company's investment objective and policy, and is responsible for setting investment limits and restrictions, including gearing limits, within which the Manager has discretion to act. The Board has responsibility for the approval of any investments in in-house funds managed or advised by the Manager. It has adopted a procedure for directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company. In order to enable them to discharge their responsibilities, all directors have full and timely access to relevant information.

The Board has engaged third-party service providers to deliver the operations of the Company. Management of the investment portfolio has been delegated contractually to Janus Henderson, which also provides the day-to-day accounting, company secretarial, administrative, sales and marketing activities. The Company has appointed a Depositary, who in turn appoints the Custodian who is responsible for the safe custody of the Company's assets. The Company has appointed a Registrar to maintain the Register of Members and assist shareholders with queries in respect of their holdings. The Company entered into each of these principal contracts after full and proper consideration of the quality and cost of the services offered, including the operation of their control systems in relation to the affairs of the Company. The Board and its Committees maintain oversight of the third-party service providers through regular and ad hoc reporting. The Board meets annually with representatives from the Depositary and Custodian to discuss amongst other matters performance, service levels, their value for money, and their approach to ESG matters, information security and business continuity plans.

In addition, the Chairman is able to attend meetings of all the chairmen of the investment trust companies managed by Janus Henderson which provide a forum to discuss industry matters which are then reported to the Board as necessary.

The Manager takes decisions as to the purchase and sale of individual investments. The Manager also ensures that all directors receive, in a timely manner, all relevant management, regulatory and financial information. Representatives of the Manager attend each Board meeting enabling the directors to probe further on matters of interest or concern. The directors have access to the advice and services of the Company Secretary, who has been appointed by Henderson Secretarial Services Limited. The Company Secretary is responsible to the Board for ensuring compliance both with Board and Committee duties and responsibilities, and applicable rules and regulations. The proceedings at all Board and Committee meetings are fully recorded through a process that allows any director's concerns to be recorded in the minutes. The Board and the Manager operate in a supportive, co-operative and open environment.

The Corporate Secretary, Henderson Secretarial Services Limited, is a subsidiary of Janus Henderson with its own reporting lines and audited internal controls. There are processes and controls in place to ensure that there is a clear distinction between the two entities, particularly when dealing with any conflicts of interest or issues between the Company and the Manager. Any correspondence from shareholders addressed to the Chairman or the Company received at the registered office is forwarded to the Chairman of the Board in line with the audited procedures in place. Any correspondence is provided to the full Board at the next meeting. Any urgent or important correspondence would be circulated promptly at the request of the Chairman.

The Manager has arrangements in place by which their staff may, in confidence, raise concerns about possible improprieties in relation to financial reporting or other matters. These arrangements are reviewed at least annually by the Audit and Risk Committee.

Corporate Governance Report (continued)

System of Internal Controls

How the system of internal control operates

The Board delegates contractually to third-party service providers for all of the Company's operational requirements. It maintains oversight of these providers throughout the year by receiving regular reporting on their activities.

The Company's principal third-party service providers are the Manager (Janus Henderson); the Depositary/Custodian (HSBC) and the accountants and administrators (BNP Paribas Securities Services).

In respect of its principal providers, the Board receives quarterly reporting on compliance with the control environment and assesses the effectiveness of the control environment through review of the annual assurance reports (usually ISAE3402) from each organisation. This reporting is supplemented by the view of the Manager's Enterprise Risk Team regarding the control environments in operation at the providers.

The Company's secondary providers report regularly to the Board. A failing in their services is deemed to have a minimal impact on the Company's value and therefore less stringent reporting is required.

The Management Engagement Committee formally evaluates the performance and service delivery of all third-party service providers at least annually.

The Audit and Risk Committee evaluates the performance of the statutory auditors on completion of each audit cycle.

Board of Directors

(comprised entirely of non-executive directors)

Principal third-party service providers

The directors

- receive regular reporting at meetings;
- review the annual assurance report produced by each organisation;
- receive additional reporting on the control environment from the Manager's Risk Team;
- receive reporting from their Manager's Internal Audit Team on areas relevant to investment trusts; and
- formally evaluate the performance on an annual basis.

Janus Henderson
(Investment management, company secretarial, sales, marketing, PR and administration)

Reporting
- Investment performance update at each meeting
- Investment limits and restrictions (monthly)
- Internal control report (quarterly)
- Effectiveness of control environment (annually)

HSBC
(Depositary/ Custodian)

Reporting
- Depositary's report (quarterly)
- Presentation from the Depositary and Custodian (annually)
- Effectiveness of control environment (bi-annually)

BNP Paribas Securities Services
(Accounting and administration services engaged by the Manager)

Reporting
- Balance sheet
- Liquidity and gearing
- Income forecasts
- Portfolio valuation
- Portfolio transactions
- Portfolio attribution
- Effectiveness of control environment (annually)

Secondary third-party service providers

The directors

- receive regular reporting on their activities at meetings; and
- formally evaluate their performance on an annual basis.

Computershare
(Registrar)

JPMorgan Cazenove
(Corporate Broker)

Marten & Co
(Sponsored Research)

PricewaterhouseCoopers LLP have been appointed as the Company's Statutory Auditors.

By order of the Board

For and on behalf of
Henderson Secretarial Services Limited
Corporate Secretary
31 March 2021

Report of the Audit and Risk Committee

Membership

All directors are members of the Committee, including the Chairman of the Board. Taking account of the size of the Board as a whole, the absence of any executive directors and the collaborative manner in which the Board and its Committees work, it was not considered practical or constructive to exclude the Chairman from being a member of the Committee. The Chairman of the Board was determined to be independent at the time of her appointment. This is in accordance with the AIC Code.

The Committee is chaired by Jonathan Silver, who is considered by the Board to have recent and relevant financial experience.

Meetings

The Committee met three times in the year under review. The Company's Auditors, the Fund Manager and the Manager's Financial Reporting Manager for Investment Trusts are invited to attend meetings of the Committee on a regular basis. Other representatives of the Manager (including the Global Head of Risk, Head of Compliance, Head of Internal Audit, Head of Business Continuity and Chief Information Security Officer) and BNP Paribas Securities Services (BNP) may also be invited to attend meetings if deemed necessary by the Committee.

Role and Responsibilities

The role of the Committee is to assist the Board with reviewing the Company's financial reporting and monitoring and reviewing the internal controls and risk management systems, in place at the Manager and the Company's other third-party service providers. The Committee also makes recommendations to the Board on the appointment, re-appointment and removal of the Company's Auditors. The Committee formally reports to the Board after each meeting and its responsibilities are set out in formal terms of reference which are regularly reviewed.

In the year under review the Committee has been responsible for:

Financial Reporting

- monitoring the integrity of the financial statements of the Company, including its annual and half year reports, and any formal announcements relating to its financial performance;
- reviewing the significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, half year reports and related formal statements and challenged the Manager where necessary on the consistency of, and any changes to, accounting policies both on a year-on-year basis and across the Company;
- reviewing the methods used to account for significant or unusual transactions where different approaches are possible;
- reviewing whether the Company has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the Auditors;
- reviewing the clarity and completeness of disclosures in the Company's financial statements and the context in which these statements are made;
- reviewing all material information presented with the Annual Report insofar as it relates to the audit and risk management;
- reviewing the Company's statement on Internal Control and Risk Management and Internal Audit Function (please refer to pages 47 to 48) prior to endorsement by the Board;
- reviewing the policies and processes used for identifying and assessing business risks and the management of those risks by the Company and other narrative statements made in the Annual Report and half year reports including the Viability Statement (please refer to pages 30 to 31);
- ensuring that the information presented in the Annual Report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy; and
- advising the Board of any significant issues considered in relation to the financial statements and how these were addressed in the year under review (this included an assessment of the risks related to the impact of COVID-19).

Internal Controls and Risk Management Systems

- keeping under review the adequacy and effectiveness of the Company's internal controls and risk management systems, including a review of the Company's key third-party suppliers' assurance reports;
- keeping under review the Company's risk map including consideration of the principal and emerging risks. In the year under review the Committee Chairman and Company Secretary undertook a detailed review and redraft of the risk map, concluding in a consolidation of risks reflecting more accurately the key risks facing the Company and how these are mitigated;
- monitoring and reviewing the remit and effectiveness of the Manager's Internal Audit, Compliance, Risk, Information Security and Business Continuity functions in the context of the Manager's overall risk management systems;
- monitoring and reviewing the remit and effectiveness of the overall risk management systems of the Company's key third-party suppliers;

Report of the Audit and Risk Committee (continued)

- meeting with representatives of the Manager's Risk and Internal Audit Teams, at the half year and full year reporting stage and if appropriate, without the Fund Manager being present, to discuss their remit and any issues arising; and
- meeting with representatives of the Manager's Compliance, Information Security and Business Continuity Teams at least annually and if appropriate, without the Fund Manager being present, to discuss their remit and any issues arising.

External Audit

- overseeing the relationship with the Auditors including (but not limited to):
  - consideration of their remuneration, whether for audit or non-audit services, and ensuring that the level of fees is sufficient to enable an adequate audit to be carried out and make recommendations to the Board on fees;
  - approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - assessing annually their independence and objectivity (please refer to Effectiveness and Independence of the Auditors on pages 49 to 50) taking into account relevant professional and regulatory requirements and the relationship with the Auditors as a whole, including the provision of any non-audit services (please refer to the Policy on Non-Audit Services in the adjacent column);
  - considering the need to include the risk of the withdrawal of the Auditors from the market in the Board's risk evaluation and planning; and
  - meeting regularly with the Auditors and at least once a year, without representatives of the Manager being present, to discuss the Auditors' remit and any issues arising from the audit.
- reviewing the findings of the audit with the Auditors, including any accounting and audit judgments.

In the year under review, the Committee worked with the Audit Partner to respond to the FCA's request to delay the announcement of preliminary financial accounts that was made on 21 March 2020, which impacted the release of the Company's annual results last year. The delay allowed the auditors to further consider the impact of COVID-19 on the Company as was disclosed in their Independent Auditors Report.

Compliance, Whistleblowing and Fraud

- reviewing the adequacy and security of the Manager's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters to ensure that they are comfortable that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- reviewing the Manager's procedures for detecting fraud; and
- monitoring and reviewing confirmations from the Manager and the Company's third-party suppliers of their adherence to the UK Bribery Act 2010, the Criminal Finances Act 2017 and the Modern Slavery Act 2015.

Appointment and Tenure of the Auditors

Regulations currently in force require the Company to rotate audit firms after a period of ten years, which may be extended where audit tenders are carried out or where more than one audit firm is appointed to carry out the audit. The Committee last carried out an audit tender process during the year-ended 31 December 2016 and PricewaterhouseCoopers LLP (PwC) have been appointed as Auditors since then. The Auditors are required to rotate partners every five years, and this is the fifth and final year that the current Audit Partner, Richard McGuire, will be in place. Subject to the audit remaining effective and the continuing agreement from shareholders on the appointment of the Auditors, the Committee envisages carrying out an audit tender process in respect of the year-ending 31 December 2026 at the latest.

Policy on Non-Audit Services

The Committee has approved, and keeps under regular review, the policy on the provision of non-audit services by the Auditors. The policy sets out that the Company's Auditors will not be considered for non-audit work where this is prohibited by the current regulations and where it appears to affect their independence, effectiveness and objectivity. In addition, the provision of any non-audit services by the Auditors are not permitted to exceed 70% of the average annual statutory audit fee for the three consecutive financial periods preceding the financial period to which the cap applies. Such services require approval in advance by the Audit and Risk Committee, or the Chairman of the Committee, following due consideration of the proposed services. The policy is available on the Company's website.

There were no fees paid or payable to the Auditors for non-audit services in the year under review (2019: £nil).

Internal Control and Risk Management

The Board has overall responsibility for the Company's system of internal control and for reviewing its effectiveness. The Committee supports the Board in the continuous monitoring of the Company's internal control and risk management framework and that of its key service providers. Please refer to the System of Internal Controls on page 45.

The Committee has established an ongoing process for identifying, evaluating and managing the principal risks faced

Report of the Audit and Risk Committee (continued)

by the Company. The process accords with the FRC's Guidance on Risk Management, Internal Control and Related Business and Financial Reporting published in September 2014. The system was in operation throughout the year under review and up to the date of this report. The system is designed to meet the specific risks faced by the Company and takes account of the nature of the Company's reliance on its service providers and their internal controls and risk management systems. The system therefore manages rather than eliminates the risk of failure to achieve the Company's business objectives and provides reasonable, but not absolute assurance against material misstatement or loss.

The key components of the internal control framework include:

- clearly defined investment criteria which specify levels of authority and exposure limits. The Board reviews reports on compliance with the criteria at each meeting;
- regular reporting which allows the Board to assess the Company's financial position. The management accounts and forecasts are reviewed by the Board at each meeting;
- the contractual agreements with the Manager and other third-party service providers. The Board reviews performance levels and adherence to relevant provisions of the agreements on a regular basis. The Management Engagement Committee conducts a formal evaluation of the overall level of services from third-party providers at least annually (please refer to the Section 172 (1) Statement on page 24);
- the review of controls (including financial, operational and compliance) at the Manager and other third-party service providers; and
- the Board receives quarterly internal controls reports from the Manager and a quarterly report from the Depositary.

The Committee reviews the assurance reports of Janus Henderson, BNP, HSBC Bank plc (Custodian and Depositary) and Computershare (Registrar) that report on the effectiveness of the control environment in operation at these key service providers. These reports are produced at least annually.

The Committee also meets with the Manager's Head of Internal Audit at the full year and half year stage to obtain comfort that the high standards of internal control and the risk management systems in place at the Manager are satisfactory. In particular, the Committee asks questions relating specifically to areas of the Manager's business that directly affect or may indirectly affect investment trusts. In the year under review the Committee has not identified or been advised of any failings or weaknesses relating to the Company's portfolio that have been determined as significant. The Committee is therefore satisfied that the internal control and risk management systems in place at the Manager and its key service providers remain effective.

Internal Audit Function

Systems are in operation to safeguard the Company's assets and shareholders' investments, to maintain proper accounting records and to ensure that financial information used within the business, or published, is reliable.

The Company is an investment company, has no employees and delegates all executive activities to third-party service providers, principally among them, the Manager. The Board places reliance on the Company's framework of internal control and the Committee's view on reporting received from specific second and third-line of defence teams at the Manager.

The Manager's Risk Team supports the Committee in considering the independently audited assurance reports on the effectiveness of internal controls in place at the Company's third-party service providers. The Manager's Internal Audit Team provides regular reporting to the Board on the operations at the Manager and presents to the Committee at the full year and half year reporting stage. The Committee therefore concluded that it is not necessary at the present time for the Company to have its own internal audit function.

Disclosure of Information to Auditors

Each of the directors who were members of the Board at the date of approval of this report confirm that to the best of his or her knowledge and belief, there is no information relevant to the preparation of the Annual Report which the Company's Auditors are unaware of, and they have taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's Auditors are aware of that information.

Audit for the Year-Ended 31 December 2020

In the year under review PwC challenged both the Manager's and the Board's judgments and exercised professional scepticism. The Audit Team required detailed evidence of all metrics, numbers and disclosures made within the Annual Report to support a robust assessment and evaluation of the financial information contained therein. The Committee is satisfied that the Annual Report for the year-ended 31 December 2020, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Report of the Audit and Risk Committee (continued)

In relation to the Annual Report for the year-ended 31 December 2020 the following significant issues were considered and addressed by the Committee:

Significant issues and audit matters	How it was addressed
Valuation and Ownership of the Company's Investments	The directors have appointed Janus Henderson, who outsource some of the administration and accounting services to BNP, to perform the valuation of the assets of the Company in accordance with its responsibilities under the AIFMD rules. As required under the AIFMD rules, Janus Henderson has adopted a written valuation policy, which may be modified from time-to-time. Actively traded investments are valued using stock exchange prices provided by third-party pricing vendors. Ownership of listed investments is verified by reconciliation to the Custodian's records and the directors have received quarterly reports from the Depositary who has responsibility for overseeing operations of the Company, including verification of ownership and valuation of investments.
Recognition of Income	Income received is accounted for in line with the Company's accounting policies (as set out in Note 1f on page 71) and is reviewed by the Committee at each meeting. The Board reviews the revenue forecast at every meeting in support of the Company's future dividend. In respect of special dividends where there is a requirement to allocate between revenue and capital, the Committee reviews the rationale provided by Janus Henderson and approves the relevant treatment.
Compliance with Section 1158 of the Corporation Tax Act 2010	The Committee regularly considers the controls in place to ensure that the regulations for ensuring investment trust status are observed at all times, receiving supporting documentation from Janus Henderson and BNP.
Maintaining Internal Controls	The Committee receives regular reports on internal controls from Janus Henderson (Manager), BNP (Administrator), Computershare (Registrar) and HSBC Bank plc (Depositary), and has access to the relevant personnel of Janus Henderson who have a responsibility for risk management and internal audit. The Committee are satisfied that these key stakeholders have appropriate and effective internal control and risk management systems in place.
Correct Calculation of the Performance Fee	The year-end performance fee calculation is prepared by BNP and reviewed by Janus Henderson. It is reviewed in depth by the Audit and Risk Committee, all with reference to the investment management agreement. No performance fee was payable for the year under review (2019: £nil).
COVID-19 Considerations	The directors have considered the impact of COVID-19 on the portfolio and the principal and emerging risks facing the Company. Regard has also been given to the financial position, operations and financial statements of the Company within the context of the pandemic. The going concern and viability statements have been assessed to include COVID-19 considerations.

Effectiveness and Independence of the External Auditors

The Committee monitors the Auditors' independence, effectiveness and objectivity through three aspects of its work: approval of the Policy on Non-Audit Services (please see page 47); assessing the appropriateness of the fees paid to the Auditors for all work undertaken by them and by reviewing the information and assurances provided by the Auditors on their compliance with the relevant ethical standards.

For the year-ended 31 December 2020 PwC confirmed that all of its partners and staff involved with the audit were independent of any links to the Company, and that these individuals had complied with their ethics and independence policies and procedures which are fully consistent with the FRC's Ethical Standards.

PwC have confirmed to the Committee that its policy on independence stipulates that all of its partners and staff involved with the audit of the Company are not permitted to have any direct or materially indirect interest in the Company. Adherence to this policy of independence is reaffirmed in writing by each member of professional staff involved in the Company's audit annually at PwC.

PwC have been in place since the year-ended 31 December 2016. The Board and the Manager have developed a strong working relationship with PwC over that time. The Committee is satisfied that auditor independence and objectivity are safeguarded as a result of the independence checks within PwC, the change of Audit Partner every five years and because PwC do not provide any non-audit services to the Company.

Report of the Audit and Risk Committee (continued)

The Committee's process for evaluating the effectiveness of the external audit comprises two components: firstly, consideration is given to the findings of the FRC's Audit Quality Inspection Report (AQIR) and secondly, a post-audit assessment is carried out, led by the Committee Chairman.

In the year under review the Audit Partner discussed the findings of the latest AQIR on PwC with the Committee. The Committee challenged PwC on the issues identified in the AQIR published in July 2020.

In assessing the effectiveness of the audit process, the Committee discussed the service provided by PwC with Janus Henderson's Financial Reporting Manager for Investment Trusts and the Company Secretary, who have the most hands-on involvement in the audit each year. The Committee also reviewed and assessed the robustness of the audit, level of challenge offered by the Audit Team, the quality of the Audit Team and timeliness of delivering the tasks required for the audit and reporting for the Committee, benchmarking PwC's performance against their recent experience with other firms gained through their other commitments. The Committee also met privately with the Audit Partner to discuss how the audit operated from his perspective.

Overall the Committee considers that the audit quality for the year-ended 31 December 2020 has been high and that the Manager alongside PwC have worked together to enhance and improve reporting to shareholders.

The Committee remain satisfied with the effectiveness of the audit provided by PwC and therefore recommended their continuing appointment to the Board. PwC have indicated their willingness to continue in office. Accordingly, resolutions re-appointing PwC as the Company's Auditors and authorising the directors to determine their remuneration will be proposed at the AGM in 2021.

Jonathan Silver
Chairman of the Audit and Risk Committee
31 March 2021

Directors' Remuneration Report

Annual Report on Remuneration

This report is submitted in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended (Regulations). The report also meets the relevant requirements of the Companies Act 2006 (Act) and the Listing Rules of the FCA and describes how the Board has applied the principles relating to directors' remuneration. As required by section 439 of the Act, an ordinary resolution to approve the Directors' Remuneration Report was proposed at the 2020 AGM and was subsequently approved by shareholders.

The Company's Auditors are required to report on certain information contained within this report; where information set out below has been audited it is indicated as such.

All directors are non-executive and the Company has no chief executive officer or employees. As such some of the reporting requirements contained in the Regulations are not applicable and have not been reported on, including the requirement for a future policy table and an illustrative representation of the level of remuneration that could be received by each individual director. It is believed that all relevant information is disclosed within this report in an appropriate format.

The Board as a whole considers directors' remuneration. The Board has established a Nominations and Remuneration Committee with delegated responsibility for determining the Remuneration Policy (please see below) and setting remuneration for the Chairman of the Board, the Chairman of the Audit and Risk Committee and the independent non-executive directors in accordance with the Articles of Association. Zoe King, the Senior Independent Director is Chairman of the Nominations and Remuneration Committee.

The Board has not been provided with advice or services by any person in respect of its consideration of directors' remuneration (although the directors review annually the fees paid to the boards of directors of other comparable investment companies).

Remuneration Policy

Shareholders last approved the Remuneration Policy at the AGM in 2020. In accordance with section 439A of the Act, shareholders will next be asked to approve the Remuneration Policy at the 2023 AGM.

In determining the Remuneration Policy, the Board takes into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the UK Code and the AIC Code. The objective of the Remuneration Policy is to attract, retain and motivate non-executive directors of the quality required to manage the Company successfully without paying more than is necessary, having regard to views of shareholders and other stakeholders. The Board obtains up-to-date information about remuneration in other companies of comparable scale and complexity in order to avoid and manage conflicts of interest in determining remuneration levels. The appropriateness and relevance of the Remuneration Policy is reviewed at least annually, particularly in terms of whether the policy supports the Company's long-term sustainable success.

Directors are remunerated in the form of fees, payable quarterly in arrears to the directors personally. In accordance with the Company's Articles of Association the aggregate remuneration of the directors may not exceed £250,000 per annum.

All directors, including any new appointments to the Board, are paid at the same rate, apart from the Chairman of the Board and the Chairman of the Audit and Risk Committee, who are paid a higher fee in recognition of their additional responsibilities. From time-to-time the Board may approve one-off payments to directors for specific work undertaken in addition to their regular responsibilities. Any feedback from shareholders would be taken into account when setting remuneration levels. Directors are authorised to claim reasonable expenses from the Company in relation to the performance of their duties.

No director has a service contract with the Company. Directors' appointments may be terminated at any time by written notice with no compensation payable. No director is eligible to receive bonuses, pension benefits, share options or other benefits and no long-term incentive schemes are in place.

Statement from the Chairman

As Chairman of the Nominations and Remuneration Committee, Zoe King, reports that there have been no changes to directors' remuneration nor any other changes to the remuneration paid to each individual director in the year under review.

Directors' Interests in Shares (Audited)

	Ordinary shares of 5p	
	31 December 2020	**1 January 2020**
Beneficial		
Margaret Littlejohns	25,139	25,139
Zoe King	9,000	9,000
Anthony Newhouse[1]	n/a	20,000
Jeremy Rigg	20,000	10,000
Jonathan Silver	15,000	15,000
Non-Beneficial		
Richard Cranfield[2]	30,000	n/a

1 Retired from the Board on 23 June 2020
2 Appointed to the Board on 1 March 2020

Directors' Remuneration Report (continued)

On 10 February 2021 Margaret Littlejohns purchased a further 10,000 shares in the Company. A person closely associated with Margaret Littlejohns also purchased 500 shares in the Company on 10 February 2021. There have been no other changes in the interests of the directors between 1 January 2021 and 31 March 2021.

Penny Lovell was appointed as a director on 1 January 2021 and has therefore not been included in the preceding or the table below as she was not a serving director in the year under review.

No director is required to hold shares of the Company by way of qualification.

Directors' Remuneration (Audited)

The total salary and fees paid to the directors who served during the years-ended 31 December 2020 and 31 December 2019 was as follows:

	Year-ended 31 December 2020 Total salary and fees £	Year-ended 31 December 2019 Total salary and fees £
Margaret Littlejohns (Chairman of the Board)	36,750	36,375
Richard Cranfield[1]	20,462	n/a
Zoe King	24,500	24,250
Anthony Newhouse[2]	11,779	24,250
Jeremy Rigg	24,500	24,250
Jonathan Silver (Chairman of the Audit and Risk Committee)	29,400	27,330
Janet Walker[3]	n/a	10,207
Total	**147,391**	**146,662**

1 Appointed to the Board on 1 March 2020
2 Retired from the Board on 23 June 2020
3 Retired from the Board on 8 May 2019

The table above omits other columns set out in the relevant regulations because no payments of other types such as taxable benefits, performance related pay, vesting performance related pay and pension related benefits were made.

No other remuneration or compensation was paid or payable by the Company during the year to any of the current or former directors or third parties specified by any of them.

Since 1 July 2019 fees were as follows (previous rates given in brackets): Chairman of the Board £36,750 (£36,000) per annum, Chairman of the Audit and Risk Committee £29,400 (£28,800) per annum and directors £24,500 (£24,000) per annum.

Expenditure on Pay

In order to show the relative importance of expenditure on pay, the table below sets out the total level of remuneration compared to the distributions to shareholders by way of dividends. There were no share buybacks during the year. There were no other significant distributions, payments or other uses of the Company's net return or cash flow deemed to assist in the understanding of the relative importance of spend on pay.

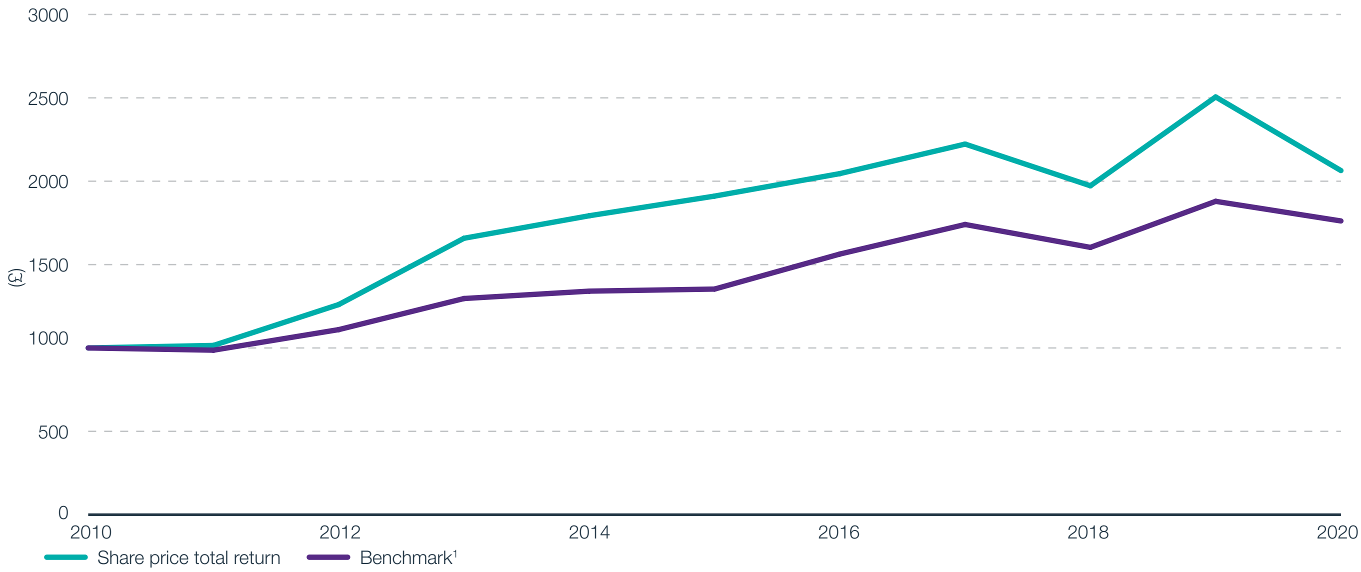
	2020 £	**2019 £**	**2015 £**	**1 year change £**	**1 year change %**	**5 year change £**	**5 year change %**
Total remuneration paid to directors[1]	147,391	146,662	152,400	+729	+0.5	-5,009	-3.3
Ordinary dividends paid during the year	12,731,032	12,538,137	9,639,537	+192,895	+1.5	+3,091,495	+32.1

1 Remuneration will fluctuate due to the number of directors in any one year

Directors' Remuneration Report (continued)

Performance

The Company's performance has been measured against the benchmark for the ten-year period ended 31 December 2020 on a total return basis in sterling terms. The graph compares the mid-market price of the Company's ordinary shares with the benchmark over the same period, assuming a notional investment of £1,000 on 31 December 2010 and the reinvestment of all dividends.



1 The benchmark is a composite of 80% of the FTSE All-Share Index (total return) and 20% of the ICE BofAML Sterling Non-Gilts Index (total return) rebalanced annually

Source: Morningstar for the AIC

Statement of Voting at AGM

At the Company's last AGM held on 23 June 2020, shareholders approved the Directors' Remuneration Report and the Directors' Remuneration Policy in respect of the year ended 31 December 2019. The following proxy votes were received on the resolutions:

Resolution	For (including discretionary)	% of total votes[1]	Against	% of total votes[1]	Withheld
To receive the Directors' Remuneration Report	14,541,459	99.3	101,828	0.7	309,737
To approve the Directors' Remuneration Policy	14,508,262	99.0	148,850	1.0	301,613

1 Excluding votes withheld

For and on behalf of the Board

Zoe King
Chairman of the Nominations and Remuneration Committee
31 March 2021

Report of the Directors

The directors who are listed on pages 38 to 39 present their report and financial statements for the year-ended 31 December 2020. The Company (a public limited company registered and domiciled in England & Wales with company registration number 02422514) was active throughout the year under review and was not dormant.

The Corporate Governance Report (pages 41 to 45), the Report of the Audit and Risk Committee (pages 46 to 50), the Statement of Directors' Responsibilities (page 56), the Glossary (page 85), the Alternative Performance Measures (pages 86 to 87) and General Shareholder Information (pages 88 to 89) all form part of the Report of the Directors.

Share Capital

The Company's share capital comprises ordinary shares with a nominal value of 5p. The voting rights of the shares on a poll are one vote for every share held. There are no restrictions concerning the transfer of securities in the Company, no special rights with regard to control attached to securities, no agreements between holders of securities regarding their transfer known to the Company and no agreement which the Company is party to that affects its control following a takeover bid. To the extent that they exist, the revenue profits and capital of the Company (including accumulated revenue and capital reserves) are available for distribution by way of dividends to the holders of the ordinary shares.

Upon a winding up, after meeting the liabilities of the Company, the surplus assets would be distributed to the shareholders pro-rata to their holding of ordinary shares.

At the beginning of the year, there were 128,596,278 ordinary shares in issue. During the year and in the period to the date of this report, no shares were issued or bought back. Therefore the number of ordinary shares in issue with voting rights remains unchanged.

The Company will seek authority from its shareholders at the 2021 AGM to renew its authority to allot shares up to 10% of the issued share capital. Please refer to the Notice of Meeting that has been sent to shareholders with this report for further details. This is also available on the website at www.hendersonhighincome.com.

Holdings in the Company's Shares

In accordance with the Disclosure Guidance and Transparency Rules there were no declarations of interest in the voting rights of the Company in the year under review.

No changes have been notified in the period 1 January 2021 to the date of this report.

Related Party Transactions

The Company's transactions with related parties in the year were with the directors and the Manager. There have been no material transactions between the Company and its directors during the year. The only amounts paid to them were in respect of remuneration for which there were no outstanding amounts payable at the year-end. Directors' interests in shares are disclosed in the Directors' Remuneration Report on page 51. In relation to the provision of services by the Manager (other than fees payable by the Company in the ordinary course of business and the provision of marketing services) there have been no material transactions with the Manager affecting the financial position or performance of the Company during the year under review. More details on Transactions with Janus Henderson and Related Parties, including amounts outstanding at the year-end, are given in Note 21 on page 83.

The directors confirm that in accordance with Listing Rule 9.8.4(7) there are no further disclosures that need to be made in this regard.

Energy and Carbon Reporting

Details of the Company's disclosures with regard to energy and carbon reporting can be found on page 36.

Post Balance Sheet Events

The Company has no post balance sheet events to report.

Future Developments

While the future performance of the Company is mainly dependent on the performance of financial markets which are subject to various external factors, the Board's intention is that the Company will continue to pursue its stated investment objective and policy explained on page 23. The Chairman's statement and Fund Managers' report provide commentary on the outlook for the Company.

Annual General Meeting

In light of the ongoing COVID-19 pandemic and with a view to making the AGM as safe and accessible for shareholders as possible, we are inviting you to register to attend our virtual AGM this year, which will be held on **Monday 24 May 2021 at 12.30pm**, as a webinar using the conferencing software Zoom. This will allow you to be present for the usual presentation from our Fund Manager, David Smith, and will enable you to ask questions of the Fund Manager and Board, as you would at a physical AGM.

To attend the AGM, please register in advance using the link below. You will then receive a dedicated invitation to join the webinar. https://jhi.zoom.us/webinar/register/WN_I8zVel1VQgyTDPd6PLdB8w

The Board is committed to holding physical meetings when restrictions are not in place and these can be held safely. However, in case of any further extraordinary crises such

Report of the Directors (continued)

as the COVID-19 lockdown, the Company is putting a proposed amendment to the Company's Articles of Association to shareholders this year to enable a combination of virtual and physical shareholder meetings to be held in the future, as necessary.

Due to technological restrictions, voting will be conducted on a poll among the directors, rather than on a show of hands, with the Chairman of the AGM holding the proxy votes. We therefore request all shareholders to submit their votes by proxy, ahead of the deadline of Thursday 20 May 2021, to ensure that their vote counts at the AGM, as there will be no live voting. If you hold your shares in a nominee account, such as through a share dealing service or platform, you will need to contact your provider and ask them to submit the proxy votes on your behalf. For further instructions on proxy voting please refer to the Notice of Meeting being sent to shareholders with this report.

If shareholders would like to submit any questions in advance of the AGM, they are welcome to send these to the Corporate Secretary at ITSecretariat@janushenderson.com.

Listing Rule 9.8.4

Listing Rule 9.8.4 requires the Company to include certain information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The directors confirm that there are no disclosures to be made in this regard.

Other Information

Information on dividends and financial risks are detailed in the Strategic Report.

By order of the Board

Henderson Secretarial Services Limited
Corporate Secretary
31 March 2021

Statement of Directors' Responsibilities in Respect of the Financial Statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's financial statements published on the Company's website. This responsibility is delegated to Janus Henderson as Manager. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Confirmations

Having taken advice from the Audit and Risk Committee, the directors consider that the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Each of the directors, whose names and functions are listed on pages 38 to 39, confirm that, to the best of their knowledge:

- the Company's financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 102, give a true and fair view of the assets, liabilities, financial position and loss of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

For and on behalf of the Board

Margaret Littlejohns
Chairman
31 March 2021

Financial Statements

Independent Auditors' Report to the Members of Henderson High Income Trust plc

Report on the Audit of the Financial Statements

Opinion

In our opinion, Henderson High Income Trust plc's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Statement of Financial Position as at 31 December 2020; the Income Statement, the Statement of Cash Flows, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' Responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company.

We have provided no non-audit services to the Company in the period under audit.

Our Audit Approach

Context

The Company is a standalone Investment Trust Company and engages Henderson Investment Funds Limited (the 'AIFM') to manage its assets.

We conducted our audit of the financial statements using information from the AIFM, BNP Paribas Securities Services (the 'Administrator'), and Henderson Secretarial Services Limited (the 'Company Secretary') with whom the AIFM has engaged to provide certain administrative functions.

We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the Company operates.

Independent Auditors' Report to the Members of Henderson High Income Trust plc (continued)

Overview

Audit scope

- As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

- Valuation and existence of investments.
- Income from investments.
- Performance fee.
- Consideration of the impact of COVID-19.

Materiality

- Overall materiality: £2,114,000 (2019: £2,511,000) based on 1% of net assets.
- Performance materiality: £1,585,000.

The Scope of our Audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgments, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Capability of the Audit in Detecting Irregularities, including Fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' Responsibilities for the audit of the financial statements section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the ongoing qualification as an Investment Trust under the Corporation Tax Act 2010, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries to increase income or to overstate the value of investments and increase the net assets of the Company. Audit procedures performed by the engagement team included:

- Discussions with the directors, the Manager and the Administrator, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation of the controls implemented by the Manager and the Administrator designed to prevent and detect irregularities;
- Assessment of the Company's compliance with the requirements of Section 1158 of the Corporation Tax Act 2010, including recalculation of numerical aspects of the eligibility conditions; and
- Identifying and testing journal entries, in particular a sample of journals posted as part of the financial year-end close process.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key Audit Matters

Key audit matters are those matters that, in the auditors' professional judgment, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Ability to continue as a going concern (continuation vote), which was a key audit matter last year, is no longer included because of the fact that there is no continuation vote scheduled within 12 months from the date of our report. Otherwise, the key audit matters below are consistent with last year.

Independent Auditors' Report to the Members of Henderson High Income Trust plc (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation and existence of investments Refer to page 49 (Report of the Audit and Risk Committee), page 70 (Accounting Policies) and page 76 (Notes to the Financial Statements). The investment portfolio at the year-end comprised listed equity investments and fixed interest investments valued at £260 million. We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed on the Statement of Financial Position in the Financial Statements.	We tested the valuation of the listed equity investments and fixed interest investments by agreeing the prices used in the valuation to independent third-party sources. No material misstatements were identified. We tested the existence of the investment portfolio by agreeing investment holdings to an independent custodian confirmation. No material misstatements were identified.
Income from investments Refer to page 49 (Report of the Audit and Risk Committee), page 71 (Accounting Policies) and page 73 (Notes to the Financial Statements). Income from investments comprised dividend income and fixed interest income. We focused on the accuracy, completeness and occurrence of investment income recognition as incomplete or inaccurate income could have a material impact on the Company's net asset value and dividend cover. We also focused on the accounting policy for income from investments recognition and the presentation of income from investments in the Income Statement for compliance with the requirements of The Association of Investment Companies Statement of Recommended Practice (the 'AIC SORP'), as incorrect application could indicate a misstatement in income recognition.	We assessed the accounting policy for income from investments recognition for compliance with accounting standards and the AIC SORP and performed testing to check that income from investments had been accounted for in accordance with this stated accounting policy. We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that income from investments has been accounted for in accordance with the stated accounting policy. **Dividend income** We tested accuracy of dividend receipts by agreeing the dividend rates from investments to independent market data. To test for completeness, we tested, for all investment holdings in the portfolio, that all dividends declared in the market by investment holdings had been recorded. We tested occurrence by tracing a sample of dividends received to bank statements. We also tested the allocation and presentation of dividend income between the revenue and capital return columns of the Income Statement in line with the requirements set out in the AIC SORP by determining reasons behind dividend distributions. Our procedures did not identify any material misstatements. **Fixed interest income** We have tested interest income for the year by obtaining the bond standing data and tested the accuracy of fixed-interest income by agreeing a sample of coupon rates and maturity dates to third-party sources and recalculating the income received as well as tracing a sample of receipts to bank statements. Our procedures did not identify any material misstatements.

Independent Auditors' Report to the Members of Henderson High Income Trust plc (continued)

Key audit matter	How our audit addressed the key audit matter
Performance fee Refer to page 49 (Report of the Audit and Risk Committee), page 71 (Accounting Policies) and page 73 (Notes to the Financial Statements). We focused on this area because the performance fee is calculated using a complex methodology as set out in the Investment Management Agreement between the Company and the Manager. Based on the calculation performed by the Manager, no performance fee is payable for the year.	We tested the calculation of the performance fee to ensure that it complied with the methodology as set out in the Investment Management Agreement, and agreed the inputs to the calculation, including the net asset value and benchmark data, to independent third-party sources, where applicable. Based on our testing, we agreed that no performance fee is payable.
Consideration of the impact of COVID-19 Refer to the Chairman's Statement (pages 8 to 10), Principal Risks (pages 27 to 30), Viability Statement (pages 30 and 31), the Report of the Audit and Risk Committee (page 46 to 50), and the Going Concern Statement (page 70), which disclose the impact of the COVID-19 pandemic. The COVID-19 outbreak has been declared a pandemic by the World Health Organisation. Since the first quarter of 2020, it has caused significant economic uncertainty globally and disruption to supply chains and travel, slowed global growth and caused volatility in global markets and in exchange rates. The directors have prepared the financial statements of the Company on a going concern basis, and believe this assumption remains appropriate. This conclusion is based on the assessment that, notwithstanding the significant market uncertainties, they are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future and that the Company and its key third-party service providers have in place appropriate business continuity plans and will be able to maintain service levels throughout the COVID-19 pandemic.	We evaluated the directors' assessment of the impact of the COVID-19 pandemic on the Company by: • evaluating the Company's updated risk assessment and considering whether it addresses the relevant threats presented by COVID-19; and • evaluating management's assessment of operational impacts, considering their consistency with other available information and our understanding of the business and assessing the potential impact on the financial statements. We obtained and evaluated the directors' going concern assessment which reflects conditions up to the point of approval of the Annual Report by obtaining evidence to support the key assumptions and forecasts driving the directors' assessment. This included reviewing the directors' assessment of the Company's financial position and forecasts, their assessment of liquidity, and loan covenant compliance and their review of the operational resilience of the Company and oversight of key third-party service providers. We assessed the disclosures presented in the Annual Report in relation to COVID-19 by reading the other information, including the Principal Risks and Viability Statement set out in the Strategic Report, and assessing its consistency with the financial statements and the evidence we obtained in our audit. Our conclusions relating to other information are set out in the 'Reporting on Other Information' section of our report. Our conclusions relating to going concern are set out in the 'Conclusions related to Going Concern' section below.

How we Tailored the Audit Scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgments, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Independent Auditors' Report to the Members of Henderson High Income Trust plc (continued)

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgment, we determined materiality for the financial statements as a whole as follows:

Overall Company materiality	£2,114,000 (2019: £2,511,000).
How we determined it	1% of net assets.
Rationale for benchmark applied	We have applied this benchmark, which is a generally accepted auditing practice for investment trust audits.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £1,585,000 for the Company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount in the middle of our normal range was appropriate.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £106,000 (2019: £126,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions Relating to Going Concern

Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- evaluating the directors' updated risk assessment and considering whether it addressed the relevant threats presented by COVID-19;
- evaluating the directors' assessment of potential operational impacts, considering their consistency with other available information and our understanding of the business and assessed the potential impact on the financial statements;
- reviewing the directors' assessment of the Company's financial position in the context of its ability to meet future expected operating expenses, their assessment of liquidity as well as their review of the operational resilience of the Company and oversight of key third-party service providers; and
- assessing the implication of significant reductions in net asset value as a result of market performance on the ongoing ability of the Company to operate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

In relation to the Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent Auditors' Report to the Members of Henderson High Income Trust plc (continued)

Reporting on Other Information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year-ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on Other Information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Strategic Report is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Independent Auditors' Report to the Members of Henderson High Income Trust plc (continued)

Our review of the directors' statement regarding the longer-term viability of the Company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Company and its environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit and Risk Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the Financial Statements and the Audit

Responsibilities of the Directors for the Financial Statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 56, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this Report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent Auditors' Report to the Members of Henderson High Income Trust plc (continued)

Other Required Reporting

Companies Act 2006 Exception Reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the directors on 14 December 2016 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is 5 years, covering the years ended 31 December 2016 to 31 December 2020.

Richard McGuire (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
31 March 2021

Income Statement

Notes		Year-ended 31 December 2020 Revenue return £'000	Capital return £'000	Total £'000	Year-ended 31 December 2019 Revenue return £'000	Capital return £'000	Total £'000
2	(Losses)/gains on investments held at fair value through profit or loss	–	(36,256)	(36,256)	–	41,212	41,212
3	Income from investments held at fair value through profit or loss	11,959	–	11,959	15,041	–	15,041
4	Other interest receivable and similar income	669	–	669	6	–	6
	Gross revenue and capital (losses)/gains	**12,628**	**(36,256)**	**(23,628)**	**15,047**	**41,212**	**56,259**
5	Management and performance fees	(572)	(858)	(1,430)	(575)	(864)	(1,439)
6	Other administrative expenses	(483)	–	(483)	(405)	–	(405)
	Net return before finance costs and taxation	**11,573**	**(37,114)**	**(25,541)**	**14,067**	**40,348**	**54,415**
7	Finance costs	(307)	(920)	(1,227)	(385)	(1,156)	(1,541)
	Net return before taxation	**11,266**	**(38,034)**	**(26,768)**	**13,682**	**39,192**	**52,874**
8	Taxation on net return	(231)	–	(231)	(63)	–	(63)
	Net return after taxation	**11,035**	**(38,034)**	**(26,999)**	**13,619**	**39,192**	**52,811**
9	Return/(loss) per ordinary share	8.58p	(29.58p)	(21.00p)	10.59p	30.48p	41.07p

The total columns of this statement represent the Income Statement of the Company. All capital and revenue items derive from continuing operations. No operations were acquired or discontinued during the year. The Company has no other comprehensive income other than those items recognised in the Income Statement.

The notes on pages 70 to 83 form part of these financial statements

Statement of Changes in Equity

Notes	Year-ended 31 December 2020	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
	At 1 January 2020	6,430	126,783	26,302	80,899	10,674	251,088
	Net return after taxation	–	–	–	(38,034)	11,035	(26,999)
10	Dividends paid	–	–	–	–	(12,718)	(12,718)
	At 31 December 2020	**6,430**	**126,783**	**26,302**	**42,865**	**8,991**	**211,371**

Notes	Year-ended 31 December 2019	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
	At 1 January 2019	6,430	126,783	26,302	41,707	9,566	210,788
	Net return after taxation	–	–	–	39,192	13,619	52,811
10	Dividends paid	–	–	–	–	(12,511)	(12,511)
	At 31 December 2019	**6,430**	**126,783**	**26,302**	**80,899**	**10,674**	**251,088**

The notes on pages 70 to 83 form part of these financial statements

Statement of Financial Position

Notes		At 31 December 2020 £'000	At 31 December 2019 £'000
	Fixed assets		
11	Investments held at fair value through profit or loss	259,844	305,064
	Current assets		
12	Debtors	1,897	2,069
	Cash at bank and in hand	595	2,701
		2,492	**4,770**
13	**Creditors: amounts falling due within one year**	(31,126)	(38,917)
	Net current liabilities	**(28,634)**	**(34,147)**
	Total assets less current liabilities	**231,210**	**270,917**
14	**Creditors: amounts falling due after more than one year**	(19,839)	(19,829)
	Net assets	**211,371**	**251,088**
	Capital and reserves		
16	Called up share capital	6,430	6,430
17	Share premium account	126,783	126,783
17	Capital redemption reserve	26,302	26,302
17	Other capital reserves	42,865	80,899
17	Revenue reserve	8,991	10,674
	Total shareholders' funds	**211,371**	**251,088**
18	**Net asset value per ordinary share (basic and diluted)**	164.37p	195.25p

The financial statements and corresponding notes on pages 70 to 83 were approved by the Board on 31 March 2021 and signed on its behalf by:

Margaret Littlejohns
Chairman

The notes on pages 70 to 83 form part of these financial statements

Statement of Cash Flows

	Year-ended 31 December 2020 £'000	Year-ended 31 December 2019 £'000
Cash flows from operating activities		
Net return before taxation	(26,768)	52,874
Add back: finance costs	1,227	1,541
Less: losses/(gains) on investments held at fair value through profit or loss	36,256	(41,212)
Withholding tax on dividends deducted at source	(231)	(63)
Decrease/(increase) in debtors	172	(302)
Increase/(decrease) in creditors	303	(287)
Net cash inflow from operating activities[1]	**10,959**	**12,551**
Cash flows from investing activities		
Sales of investments held at fair value through profit or loss	104,095	59,656
Purchases of investments held at fair value through profit or loss	(95,538)	(56,240)
Net cash inflow from investing activities	**8,557**	**3,416**
Cash flows from financing activities		
Equity dividends paid	(12,718)	(12,511)
Repayment of loans	(8,463)	(1,847)
Interest paid	(1,216)	(1,533)
Net cash outflow from financing activities	**(22,397)**	**(15,891)**
Net (decrease)/increase in cash and cash equivalents	(2,881)	76
Cash and cash equivalents at beginning of year	2,701	2,581
Exchange movements	775	44
Cash and cash equivalents at end of year	**595**	**2,701**
Comprising:		
Cash at bank	**595**	**2,701**

1 Cash inflow from dividends was £10,713,000 (2019: £13,117,000) and cash inflow from interest was £1,681,000 (2019: £1,674,000)

The notes on pages 70 to 83 form part of these financial statements

Notes to the Financial Statements

1 Accounting Policies

a) Basis of Accounting

The Company is a registered investment company as defined in Section 833 of the Companies Act 2006. It operates in England and Wales and is registered at 201 Bishopsgate, London EC2M 3AE.

The financial statements have been prepared in accordance with the Companies Act 2006, FRS 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland, and with the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts (SORP).

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

The financial statements have been prepared under the historical cost basis except for the measurement at fair value of investments.

In applying FRS 102, financial instruments have been accounted for in accordance with Section 11 and 12 of the standard. All of the Company's operations are of a continuing nature.

b) Significant Judgments and Estimates

The decision to allocate special dividends as income or capital is a judgment but not deemed to be material. The allocation of expenses as income or capital is not material but has an impact on reserves. Other than these exceptions the directors do not believe that any accounting judgments or estimates have been applied to this set of financial statements, and none that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

c) Going Concern

The assets of the Company consist of securities that are readily realisable and, accordingly, the directors believe that the Company has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements.

The Company's shareholders are asked every five years to vote for the continuation of the Company. An ordinary resolution to this effect was passed by the Shareholders at the annual general meeting held on 23 June 2020.

The directors have considered the impact of COVID-19, including cash flow forecasting, a review of covenant compliance including the headroom above the most restrictive covenants and an assessment of the liquidity of the portfolio. They have concluded that they are able to meet their financial obligations, including the repayment of the bank loan, as they fall due for a period of at least twelve months from the date of issuance. Having assessed these factors, the principal risks and other matters discussed in connection with the viability statement, the Board has determined that it is appropriate for the financial statements to be prepared on a going concern basis.

d) Valuation of Investments

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy, and information about the portfolio is provided internally on that basis to the Company's directors. Accordingly, upon initial recognition the investments are included initially at fair value, which is taken to be their cost. Subsequently, the investments are valued at fair value, which is deemed to be the bid market prices or the last traded price depending on the convention of the exchange on which the investment is quoted.

All fair value movements in investments are taken to the Income Statement. In accordance with the SORP, the Company's profit and loss account is split between revenue and capital returns columns as can be seen in the Income Statement. Fair value movements on investments are taken to the capital column in the Income Statement.

e) Capital Gains and Losses

Profits less disposal of investments and investment holding gains and losses are taken to the capital column in the Income Statement and transferred to other capital reserves.

The Company's capital reserve arising on investments sold and revenue reserve may be distributed by way of a dividend. The portion of the capital reserve arising on investments held is wholly non-distributable. There may be factors that restrict the value of reserves that can be distributed and these factors may be complex to determine. Amounts fully distributable may therefore not be the total of the revenue reserve and the portion of capital reserve arising on investments sold.

Notes to the Financial Statements (continued)

1 Accounting Policies (continued)

f) Income

Dividends receivable on equity shares are taken to the revenue return of the Income Statement on an ex-dividend basis except where, in the opinion of the directors, the dividend is capital in nature in which case it is taken to the capital return. Income from fixed interest debt securities and preference shares with no fixed maturity date is recognised on a time-apportioned basis. Income from other fixed interest securities is recognised so as to reflect the effective interest rate on these securities.

g) Expenses

All expenses and finance costs are accounted for on an accruals basis. The Board's expectation is that over the long-term three quarters of the Company's investment returns will be in the form of capital gains. The directors have determined that the proportion of the annual management fees that relates to the maintenance or enhancement of the valuation of investments is 80%. On this basis, the Company charges to capital 60% of total management fees (i.e. 75% of 80%) and 75% of its finance costs. The balance of the management fees is charged to revenue. All performance fees are charged to capital. Expenses which are incidental to the acquisition of an investment are charged to the Income Statement and included within gains/losses on investments. Expenses which are incidental to the disposal of an investment are deducted from sale proceeds and go to the Income Statement indirectly.

h) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using the applicable tax rate of corporation tax for the accounting period.

The tax effect of different items of expenditure is allocated between the capital return and revenue return using the Company's applicable rate of tax for the year. In line with the recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented against capital returns on the Income Statement is the 'marginal basis'. Under this basis, if taxable income is capable of being offset entirely by expenses presented in the revenue column of the Income Statement, then no tax relief is transferred to the capital return column.

Deferred taxation is provided on all timing differences that have originated but not been reversed by the Statement of Financial Position date, other than those differences regarded as permanent. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Any liability to deferred tax is provided at the average rate of tax expected to apply. Deferred tax assets and liabilities are not discounted to reflect the time value of money. The carrying amount of deferred tax assets is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

i) Foreign Currency

The results and financial position of the Company are expressed in sterling, which is the functional and presentational currency of the Company. Sterling is the functional currency because the Company is listed in the UK with a predominantly UK shareholder base.

Transactions denominated in overseas currencies during the year are translated into sterling at the appropriate daily exchange rate.

Assets and liabilities denominated in overseas currencies at the Statement of Financial Position date are translated into sterling at the exchange rate ruling at that date. Differences arising from translation at this rate of exchange are included within the Income Statement as a capital item and then transferred to capital reserves.

j) Borrowings

Interest-bearing bank loans, overdrafts and the senior unsecured note are recorded as proceeds received, net of direct issue costs.

They are subsequently measured at amortised cost. Finance costs, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Income Statement, using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Notes to the Financial Statements (continued)

1 Accounting Policies (continued)

k) Derivative Financial Instruments

The Company does not use derivative financial instruments for speculative purposes.

Derivative transactions which the Company may enter into comprise forward exchange contracts (the purpose of which is to hedge foreign currency exposure) and futures contracts on indices appropriate to sections of the portfolio (one purpose for which may be to provide protection against falls in the capital values of the holdings). The Company may also write options on shares represented in the portfolio where such options are priced attractively relative to Janus Henderson's expectations for the relevant share prices and to generate additional return for shareholders. The use of financial derivatives is governed by the Company's policies as approved by the Board.

Changes in the fair value of derivative financial instruments are recognised in the Income Statement as they arise. If capital in nature, the associated change in value is presented as a capital item in the Income Statement.

Where options are written for the purpose of generating revenue, applicable premiums are recognised evenly over the life of the option and shown in the revenue return, with the appropriate amount shown as a capital return such that the total return reflects the overall change in the fair value of the option.

l) Dividends Payable to Shareholders

Interim dividends payable to shareholders are recognised in the financial statements when they are paid. The Company does not pay a final dividend.

Details of dividends provided are in the Statement of Changes in Equity on page 67 and Note 10 on page 75.

m) Capital and Reserves

Share capital represents the nominal value of shares issued.

The share premium account represents the premium above nominal value received by the Company on issuing shares net of issue costs.

The revenue reserve represents accumulated revenue profits retained by the Company that have not currently been distributed to shareholders as a dividend.

The capital redemption reserve represents the nominal value of ordinary shares repurchased and cancelled.

Other capital reserves are split into two components, the capital reserve arising on investments sold and the capital reserve arising on investments held. The following analyses what is accounted for in each other of these components.

Capital reserve arising on investments sold

- gains and losses on disposals of investments;
- realised foreign exchange differences of a capital nature;
- cost of repurchasing ordinary share capital; and
- other capital charges and credits charged to this account in accordance with the above policies.

Capital reserve arising on investments held

- increases and decreases in the valuation of investments held at the year-end; and
- unrealised foreign exchange differences of a capital nature.

n) Distributable Reserves

The Company's capital reserve arising on investments sold and revenue reserve may be distributed by way of a dividend. The portion of the capital reserve arising on investments held is wholly non-distributable. There may be factors that restrict the value of reserves that can be distributed and these factors may be complex to determine. Amounts fully distributable may therefore not be the total of the revenue reserve and the portion of capital reserve arising on investments sold.

Notes to the Financial Statements (continued)

2 (Losses)/Gains on Investments Held at Fair Value through Profit or Loss

	2020 £'000	2019 £'000
(Losses)/gains on the sale of investments based on historical cost	(4,172)	2,003
Revaluation (losses)/gains recognised in previous years	(5,034)	1,459
(Losses)/gains on investments sold in the year based on carrying value at previous Statement of Financial Position date	**(9,206)**	**3,462**
Net movement on revaluation of investments	(27,489)	37,077
Effective yield movement	32	(25)
Exchange gains	407	698
	(36,256)	**41,212**

3 Income from Investments Held at Fair Value through Profit or Loss

	2020 £'000	2019 £'000
UK dividend income – listed	8,142	10,791
UK dividend income – special dividends	108	358
	8,250	**11,149**
Interest income – listed	1,354	1,768
Overseas and other dividend income – listed	2,355	1,772
Overseas and other dividend income – special dividends	–	352
	3,709	**3,892**
	11,959	**15,041**

4 Other Interest Receivable and Similar Income

	2020 £'000	2019 £'000
Deposit interest	1	3
Traded option premiums	653	–
Underwriting commission	15	3
	669	**6**

5 Management and Performance Fees

	2020			2019		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Management fee	572	858	1,430	575	864	1,439
Performance fee	–	–	–	–	–	–
Total fee	**572**	**858**	**1,430**	**575**	**864**	**1,439**

A summary of the terms of the Investment Management Agreement is given in Arrangements with the Manager on page 26. An explanation of the split between revenue and capital is contained in Note 1g on page 71. No performance fee was earned during the year (2019: £nil).

Notes to the Financial Statements (continued)

6 Other Administrative Expenses

	2020 £'000	2019 £'000
Directors' fees (please refer to the Directors' Remuneration Report on page 52)	147	147
Auditors' remuneration – for audit services (including VAT)	44	41
Depositary fees	21	25
Registrar fees	22	22
Sales and marketing expenses payable to the Manager	71	61
Other expenses	178	109
	483	**405**

7 Finance Costs

	2020 Revenue return £'000	2020 Capital return £'000	2020 Total £'000	2019 Revenue return £'000	2019 Capital return £'000	2019 Total £'000
Interest on bank loans repayable within one year and on bank overdrafts	121	362	483	200	599	799
Interest on senior unsecured note	186	558	744	185	557	742
	307	**920**	**1,227**	**385**	**1,156**	**1,541**

8 Taxation on Net Return

	2020 Revenue return £'000	2020 Capital return £'000	2020 Total £'000	2019 Revenue return £'000	2019 Capital return £'000	2019 Total £'000
Overseas withholding tax	231	–	231	63	–	63
Total current tax charge for the year	**231**	**–**	**231**	**63**	**–**	**63**

a) Factors Affecting Tax Charge For Year

The UK corporation tax rate is 19.0% (2019 – applicable rate 19.0%). The tax charge for the year is lower than the corporation tax rate. The differences are explained below:

	2020 Revenue return £'000	2020 Capital return £'000	2020 Total £'000	2019 Revenue return £'000	2019 Capital return £'000	2019 Total £'000
Net return before taxation	**11,266**	**(38,034)**	**(26,768)**	13,682	39,192	52,874
Corporation tax of 19.0% (2019: 19.0%)	2,141	(7,227)	(5,086)	2,599	7,447	10,046
Effects of:						
– UK dividends	(1,558)	–	(1,558)	(2,121)	–	(2,121)
– Non-taxable overseas dividends	(402)	–	(402)	(309)	–	(309)
– Utilised excess management expenses	(179)	338	159	(169)	384	215
– Irrecoverable overseas withholding tax	231	–	231	63	–	63
– Tax effect of expensed double taxation relief	(2)	–	(2)	–	–	–
– Losses/(gains) on investments held at fair value	–	6,889	6,889	–	(7,831)	(7,831)
Total tax charge for the year	**231**	**–**	**231**	**63**	**–**	**63**

The Company is an investment trust and therefore its capital gains are not taxable.

b) Factors That May Affect Future Tax Charges

At the year end, after offset against income taxable on receipt, there is a potential deferred tax asset of £3,655,000 (2019: £3,128,000) in relation to surplus management expenses. It is unlikely that the Company will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised.

Notes to the Financial Statements (continued)

9 Total (Loss)/Return per Ordinary Share

The (loss)/return per ordinary share figure is based on the loss attributable to the ordinary shares of £26,999,000 (2019 gain: £52,811,000) and on the 128,596,278 weighted average number of ordinary shares in issue during the year (2019: 128,596,278).

The Company had no securities in issue that could dilute the return per ordinary share.

The return per ordinary share can be analysed between revenue and capital as shown below:

	2020 £'000	2019 £'000
Net revenue return	11,035	13,619
Net capital return	(38,034)	39,192
Total return	**(26,999)**	**52,811**
Weighted average number of ordinary shares	**128,596,278**	**128,596,278**
Revenue return per ordinary share	8.58p	10.59p
Capital (loss)/return per ordinary share	(29.58p)	30.48p
Total (loss)/return per ordinary share	**(21.00p)**	**41.07p**

10 Dividends Paid on Ordinary Shares

	Payment date	2020 £'000	2019 £'000
Fourth interim dividend (2.425p per share) for the year-ended 31 December 2018	25 January 2019	–	3,118
First interim dividend (2.425p per share) for the year-ended 31 December 2019	26 April 2019	–	3,118
Second interim dividend (2.425p per share) for the year-ended 31 December 2019	26 July 2019	–	3,118
Third interim dividend (2.475p per share) for the year-ended 31 December 2019	25 October 2019	–	3,183
Fourth interim dividend (2.475p per share) for the year-ended 31 December 2019	31 January 2020	3,183	–
First interim dividend (2.475p per share) for the year-ended 31 December 2020	24 April 2020	3,183	–
Second interim dividend (2.475p per share) for the year-ended 31 December 2020	31 July 2020	3,183	–
Third interim dividend (2.475p per share) for the year-ended 31 December 2020	30 October 2020	3,182	–
Unclaimed dividends		(13)	(26)
		12,718	**12,511**

The total dividends payable in respect of the financial year which form the basis of the test under Section 1158 of the Corporation Tax Act 2010 are set out below:

	2020 £'000	2019 £'000
Revenue available for distribution by way of dividend for the year	11,035	13,619
First interim dividend of 2.475p (2019: 2.425p)	(3,183)	(3,118)
Second interim dividend of 2.475p (2019: 2.425p)	(3,183)	(3,118)
Third interim dividend of 2.475p (2019: 2.475p)	(3,182)	(3,183)
Fourth interim dividend 2.475p (2019: 2.475p)	(3,183)	(3,183)
	(1,695)	**1,017**

All dividends have been paid or will be paid out of revenue profit and the revenue reserve.

Notes to the Financial Statements (continued)

11 Investments Held at Fair Value through Profit or Loss

	2020 £'000	2019 £'000
Valuation at 1 January	305,064	267,966
Investment holding gains at 1 January	(57,253)	(18,742)
Cost at 1 January	**247,811**	**249,224**
Purchases at cost	95,538	56,240
Sales at cost	(108,299)	(57,653)
Cost at 31 December	**235,050**	**247,811**
Investment holding gains at 31 December	24,794	57,253
Valuation of investments at 31 December	**259,844**	**305,064**

Total transaction costs amounted to £282,000 (2019: £192,000) of which purchase transaction costs for the year-ended 31 December 2020 were £257,000 (2019: £174,000). Sale transaction costs for the year-ended 31 December 2020 were £25,000 (2019: £18,000). These comprise mainly stamp duty (purchases only) and commissions.

The Company received £104,095,000 (2019: £59,681,000) from investments sold in the year. The book cost of these investments when they were purchased was £108,299,000 (2019: £57,653,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

12 Debtors

	2020 £'000	2019 £'000
Taxation recoverable	241	136
Prepayments and accrued income	1,656	1,933
	1,897	**2,069**

13 Creditors: Amounts Falling Due Within One Year

	2020 £'000	2019 £'000
Bank loans and overdrafts	29,873	37,967
Accruals and deferred income	1,253	950
	31,126	**38,917**

At 31 December 2020 the Company had short-term multi-currency loans under the Scotiabank loan facility amounting to £29,873,000, repayable in January and February 2021 (2019: £37,967,000, repayable in January and February 2020). The average interest rate payable on these loans was 1.30% (2019: 1.80%). Please refer to the Financial Calendar on page 90 for the senior unsecured note interest payment dates.

14 Creditors: Amounts Falling Due After More Than One Year

	2020 £'000	2019 £'000
Senior unsecured note	19,839	19,829
	19,839	**19,829**

On 8 July 2015 the Company issued £20 million (nominal) 3.67% senior unsecured note due 2034, net of issue costs totalling £204,000. The issue costs will be amortised over the life of the senior unsecured note by way of an effective interest rate method. The fair value methodology of the senior unsecured note is detailed in note 15.4 on page 80.

Notes to the Financial Statements (continued)

15 Financial Risk Management Policies and Procedures

As an investment trust, the Company invests in equities and other investments for the long-term so as to secure its investment objective and policy (please refer to page 23). In pursuing its investment objective and policy, the Company is exposed to a variety of financial risks that could result in either a reduction in the Company's net assets or a reduction in the profits available for distribution by way of dividends.

These financial risks are: market risk (comprising market price risk, currency risk and interest rate risk), credit risk, liquidity risk and gearing. Details of these risks and of the directors' approach to the management of these risks, are set out below and have not changed from the previous accounting year. The Board receives regular financial and other reporting to enable it to measure these risks. The Board and Janus Henderson co-ordinate the Company's risk management and there are various risk management systems in place as detailed below.

- Listed securities, exchange-traded derivatives and over the counter (OTC) derivatives contracts are processed, confirmed and reconciled using automated systems linked to counterparties and clearing houses;
- Portfolio modelling and investment management functions (including order-raising, dealing and trade execution) are performed using one of, or a combination of, third-party software applications; and
- Fund pricing and accounting services are outsourced to a third-party administrator (currently BNP Paribas Securities Services).

Janus Henderson Risk, Compliance and Operations Teams have access to and use a variety of in-house and third-party databases and applications for independent monitoring and risk measurement and compliance purposes.

15.1 Market Risk

The fair value of a financial instrument held by the Company may fluctuate due to changes in market prices. This market risk comprises currency risk (see note 15.1.1), interest rate risk (see note 15.1.2) and other price risk (see note 15.1.3), in particular the risk of fluctuations in prices of securities. The Board reviews and agrees policies for managing these risks and agrees investment guidelines and restrictions for managing the portfolio; these have remained substantially unchanged from those applying in the previous year. The Fund Manager assesses the exposure to market risk when making each investment decision, and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis. This risk is mitigated through diversification of investments in the portfolio.

15.1.1 Currency Risk

A proportion of the Company's assets and income is denominated in currencies other than sterling (the Company's functional currency and the one in which it reports its results). Therefore, movements in exchange rates may affect the sterling value of these items. This may be partially offset by borrowing in foreign currencies. The Board regularly reviews currency risk.

Foreign currency exposure

The fair values of the Company's monetary items that have foreign currency exposure as at 31 December 2020 and 2019 are shown below. Where the Company's investments which are not monetary items are denominated in a foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

2020	**CHF £'000**	**EUR £'000**	**US$ £'000**
Cash and cash equivalents	–	7	3
Bank loans	–	(8,792)	(10,507)
Total foreign currency exposure on net monetary items	**–**	**(8,785)**	**(10,504)**
Investments at fair value through profit or loss	1,724	18,186	21,987
Total net foreign currency exposures	**1,724**	**9,401**	**11,483**

2019	CHF £'000	EUR £'000	US$ £'000
Bank loans	–	(5,765)	(14,569)
Total foreign currency exposure on net monetary items	**–**	**(5,765)**	**(14,569)**
Investments at fair value through profit or loss	3,040	11,766	29,143
Total net foreign currency exposures	**3,040**	**6,001**	**14,574**

The above amounts are not necessarily representative of the exposure to risk during the year as levels of monetary foreign currency exposure may have changed significantly throughout the year.

If sterling depreciates against the currencies shown by 10%, the impact on the total return and net assets would be £2,936,000 (2019: £3,112,000). If sterling appreciates against the currencies shown by 10%, the impact on the total return and net assets would be (£2,402,000) (2019: (£2,546,000)).

Notes to the Financial Statements (continued)

15 Financial Risk Management Policies and Procedures (continued)

15.1.2 Interest Rate Risk

Interest rate movements may affect:

- the fair value of investments in fixed interest securities;
- the level of income receivable from interest-bearing securities and cash at bank and on deposit; and
- the interest payable on the Company's variable rate borrowings.

Management of the risk

The possible effects of fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions and borrowing under the multi-currency loan facility. The Company generally does not hold significant cash balances; short-term borrowings are used when required. The Company finances part of its activities through borrowings at levels approved by the Board. Derivative contracts may sometimes be used to hedge against the exposure to interest rate risk.

Interest rate exposure

The exposure at 31 December of financial assets and financial liabilities to interest rate risk is shown by reference to:

- floating interest rates: when the interest rate is due to be re-set; and
- fixed interest rates: when the financial instrument is due for repayment.

Please refer to the Financial Calendar on page 90 for the senior unsecured note interest repayment dates.

	2020			2019		
	Within one year £'000	More than one year £'000	Total £'000	Within one year £'000	More than one year £'000	Total £'000
Exposure to floating interest rates:						
Cash at bank	595	–	595	2,701	–	2,701
Creditors – within one year:						
Borrowings under multi-currency loan facility	(29,896)	–	(29,896)	(38,001)	–	(38,001)
	(29,301)	**–**	**(29,301)**	**(35,300)**	**–**	**(35,300)**
Exposure to fixed interest rates:						
Investments held at fair value through profit or loss	–	32,598	32,598	–	45,761	45,761
Creditors – more than one year:						
Senior unsecured note[1]	(744)	(29,532)	(30,276)	(742)	(30,268)	(31,010)
Total exposure to interest rates	**(30,045)**	**3,066**	**(26,979)**	**(36,042)**	**15,493**	**(20,549)**

1 The above figures show interest payable over the remaining term of the senior unsecured note. The figures in the 'more than one year' column also include the capital to be repaid. Details of the interest repayment dates are set out in the Financial Calendar on page 90

Interest receivable and finance costs are at the following rates:

- interest received on cash balances, or paid on bank overdrafts, is at a margin linked to LIBOR or its foreign currency equivalent (2019: same);
- interest paid on borrowings under the multi-currency loan facility is at a margin over LIBOR or its foreign currency equivalent for the type of loan. The weighted average interest rate of these was 1.30% at 31 December 2020 (2019: 1.80%);
- interest paid on the senior unsecured note is at a rate of 3.67%; and
- the nominal interest rates on the investments held at fair value through profit and loss are shown above. The weighted average interest rate on these investments is 4.24% (2019: 4.74%).

Interest rate risk sensitivity

The Company is primarily exposed to interest rate risk through its loan facility with Scotiabank, and its fixed interest investment portfolio. The sensitivity of each exposure is as follows:

- loan sensitivity: borrowings vary throughout the year as a result of the Board's borrowing policy. Borrowings at the year end were £29,873,000 (2019: £37,967,000) (see note 13 on page 76) and if that level of borrowings were maintained for a full year, then a 100 basis points change in LIBOR (up or down) would decrease or increase total return after taxation by approximately £299,000 (2019: £380,000); and
- Senior unsecured note: the senior unsecured note is at a fixed rate of interest so will not be impacted by any changes in LIBOR or short-term interest rates; and

Notes to the Financial Statements (continued)

15 Financial Risk Management Policies and Procedures (continued)

- fixed interest investment sensitivity: the Company's fixed interest portfolio at the year end was valued at £32,598,000 (2019: £45,761,000), and it has a modified duration (interest rate sensitivity) of approximately 9.2 years (2019: 8.5 years). A 100 basis points change in short-term interest rates (up or down), which is mirrored by an equivalent change in long term interest rates, would be expected to decrease or increase this portfolio's value by approximately £3,260,000 (2019: £4,576,000), all other factors being equal.

15.1.3 Other Price Risk

Other price risks (changes in market prices other than those arising from interest rate risk or currency risk) may affect the value of quoted and unquoted investments.

Management of the risk

The Board manages the risks inherent in the investment portfolio by ensuring full and timely access to relevant information from Janus Henderson. The Board meets regularly and at each meeting reviews investment performance. The Board monitors Janus Henderson's compliance with the Company's objectives, and is directly responsible for investment strategy and ultimately for asset allocation.

When appropriate, the Company may buy/sell put or call options or futures on indices and on equity investments in its portfolio to manage its exposure to price risk or to generate income. At 31 December 2020 the Company had no open positions (2019: no open positions).

Concentration of exposure to other price risks

An analysis of the Company's investment portfolio is shown on pages 17 to 19. The majority of the investments are in UK companies. Accordingly, there is a concentration of exposure to the UK, particularly to financials and consumer goods (please refer to page 19). It is recognised that an investment's country of domicile or of listing does not necessarily equate to its exposure to the economic conditions in that country.

Other price risk sensitivity

The following table illustrates the sensitivity of the net return after taxation for the year and the equity shareholders' funds to an increase or decrease in the fair values of the Company's investments. The level of change used in the table below is considered to be reasonably possible based on observation of current market conditions. The sensitivity analysis is based on the Company's equities at each Statement of Financial Position date, with all other variables held constant.

	2020		2019	
	10% increase in fair value £'000	10% decrease in fair value £'000	10% increase in fair value £'000	10% decrease in fair value £'000
Income Statement – net return after tax				
Revenue return	(42)	42	(49)	49
Capital return	25,896	(25,896)	30,402	(30,402)
Net return after tax for the year	**25,854**	**(25,854)**	**30,353**	**(30,353)**
Equity shareholders' funds	**25,854**	**(25,854)**	**30,353**	**(30,353)**

15.2 Liquidity Risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with the financial liabilities.

Management of the risk

Liquidity risk is not significant as the majority of the Company's assets are investments in quoted securities that are readily realisable. The Company has a two year multi-currency loan facility of £45 million with Scotiabank (2019: £45 million), the facility will expire on 21 December 2022. It also has an overdraft facility with the Custodian, the extent of which is determined by the Custodian on a regular basis by reference to the value of securities held by it on behalf of the Company.

Notes to the Financial Statements (continued)

15 Financial Risk Management Policies and Procedures (continued)

Liquidity risk exposure

The contractual maturities of the financial liabilities at 31 December, based on the earliest date on which payment can be required, were as follows:

	2020 Due within three months £'000	2019 Due within three months £'000
Bank loans and overdrafts	29,873	37,967
Other creditors and accruals	1,253	950
	31,126	**38,917**

15.3 Credit and Counterparty Risk

The failure of the counterparty to a transaction to discharge its obligations under that transaction could result in the Company suffering a loss.

Management of the risk

- transactions involving derivatives are entered into only with investment banks, whose creditworthiness is carefully assessed so as to minimise the risk to the Company of default;
- investment transactions are carried out with a large number of brokers, whose credit standard is reviewed periodically by the Manager, and limits are set on the amount that may be due from any one broker;
- the Company's trades are usually on a delivery versus payment (DVP) settlement basis. This process mitigates the risk of loss during the settlement process;
- Janus Henderson and the Board monitor the Company's risk by reviewing the Depositary's bi-annual assurance report. The Manager's Risk Team also reports to the Board on these reports. They also engage with the Depositary to ensure that follow up action arising from any exceptions identified in the report are completed, and report back to the Board where necessary;
- cash at bank is held only with banks considered to be credit-worthy; and
- with regards to the corporate bonds in the portfolio, there is a credit risk that the borrowers do not repay principal or make interest payments. This is managed through careful selection, supported by monitoring of credit ratings, and is reviewed regularly.

The percentages below represent the value of fixed interest investments included in the Statement of Financial Position which are exposed to credit and counterparty risk by credit rating.

Rating	**2020 %**	2019 %
A	–	8.2
BBB	22.7	40.6
BB	34.4	29.8
B	22.0	14.0
Not rated	20.9	7.4
Total	**100.0**	**100.0**

Source: Bloomberg composite rating

None of the Company's financial assets or financial liabilities is secured by collateral or other credit enhancements. None of the Company's financial assets are past due or impaired.

15.4 Fair Values of Financial Assets and Financial Liabilities

The fair values of the financial assets and liabilities are either carried in the Statement of Financial Position at their fair value (investments and derivatives) or the Statement of Financial Position amount is a reasonable approximation of fair value (due from brokers, dividends, and interest receivable, due to brokers, accruals, cash at bank, bank overdrafts and amounts due under the multi-currency loan facility). At 31 December 2020 the fair value of the senior unsecured note has been estimated to be £25,977,000 (2019: £23,921,000) and is categorised as level 3 (see note 15.5) in the fair value hierarchy.

Notes to the Financial Statements (continued)

15 Financial Risk Management Policies and Procedures (continued)

The current estimated fair value of the senior unsecured note is calculated using a discount rate based on the redemption yield of the relevant existing reference UK gilt plus a suitable estimated credit spread. The estimated credit spread is based on the spread between the yield of the ICE BofAML 10-15 Year A Sterling Non-Gilt Index and the redemption yield of the ICE BofAML 10-15 Year UK Gilt Index. The discount rate is calculated and updated at each month end and applied daily to determine the Company's published fair value NAVs.

15.5 Fair Value Hierarchy Disclosures

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset:

Level 1 – the unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date;

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1; and

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data.

The valuation techniques used by the Company are explained in note 1d on page 70.

There have been no transfers during the year between levels.

The table below sets out fair value measurements using the FRS 102 fair value hierarchy. Fixed interest investments have been included in level 1 because they are considered to be highly liquid and therefore trade in an active market.

Financial assets at fair value through profit or loss at 31 December 2020	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Equity investments	227,246	–	–	227,246
Fixed interest instruments:				
Preference shares	5,263	–	–	5,263
Other	27,335	–	–	27,335
Total	**259,844**	**–**	**–**	**259,844**

Financial assets at fair value through profit or loss at 31 December 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	258,620	–	–	258,620
Convertibles	683	–	–	683
Fixed interest instruments:				
Preference shares	4,502	–	–	4,502
Other	41,259	–	–	41,259
Total	**305,064**	**–**	**–**	**305,064**

15.6 Capital Management Policies and Procedures

The Company's capital management objectives are:

- to ensure that it will be able to continue as a going concern; and
- to provide investors with a high dividend income while also maintaining the prospect of capital growth.

The Company's capital is its equity share capital, reserves and debt that are shown in the Statement of Financial Position at a total of £261,083,000 (2019: £308,885,000).

The Board, with assistance of the Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

- the planned level of gearing, which takes into account Janus Henderson's view on the market;
- the need to buy back equity shares, either for cancellation or to hold in treasury, which takes account of the difference between the net asset value per ordinary share and the share price (i.e. the level of share price discount);
- the need for new issues of equity shares, including sales from treasury; and
- the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company is subject to several externally imposed capital requirements:

- under the multi-currency loan facility and the senior unsecured note agreement the total of these borrowings may not exceed one third of adjusted total assets (as defined in the facility agreement) and net assets must be more than £50 million;
- as a public company, the Company has a minimum share capital of £50,000; and

Notes to the Financial Statements (continued)

15 Financial Risk Management Policies and Procedures (continued)

- in order to be able to pay dividends out of profits available for distribution by way of dividends, the Company has to be able to meet one of the two capital retention tests imposed on investment companies by company law and cannot retain more than 15% of income.

The Company has complied with these requirements in the year under review and the prior year.

16 Called Up Share Capital

	Shares entitled to dividend	Total shares in issue	Nominal value in issue £'000
Issued ordinary shares of 5p each			
At 1 January 2020	128,596,278	128,596,278	6,430
At 31 December 2020	**128,596,278**	**128,596,278**	**6,430**

During the year the Company issued nil shares (2019: nil shares) for net proceeds of £nil (2019: £nil). Since the year end no shares have been issued.

17 Reserves

	Share premium account £'000	**Capital redemption reserve £'000**	**Capital reserve arising on investments sold £'000**	**Capital reserve arising on revaluation of investments held £'000**	**Revenue reserve £'000**
At 1 January 2020	126,783	26,302	23,636	57,263	10,674
Transfer on disposal of investments	–	–	5,034	(5,034)	–
Net loss on investments	–	–	(9,206)	(27,457)	–
Foreign exchange gains	–	–	407	–	–
Management and performance fees and finance costs charged to capital	–	–	(1,778)	–	–
Net revenue after tax for the year	–	–	–	–	11,035
Dividends paid	–	–	–	–	(12,718)
At 31 December 2020	**126,783**	**26,302**	**18,093**	**24,772**	**8,991**

	Share premium account £'000	Capital redemption reserve £'000	Capital reserve arising on investments sold £'000	Capital reserve arising on revaluation of investments held £'000	Revenue reserve £'000
At 1 January 2019	126,783	26,302	22,955	18,752	9,566
Transfer on disposal of investments	–	–	(1,459)	1,459	–
Net profit on investments	–	–	3,462	37,052	–
Foreign exchange gains	–	–	698	–	–
Management and performance fees and finance costs charged to capital	–	–	(2,020)	–	–
Net revenue after tax for the year	–	–	–	–	13,619
Dividends paid	–	–	–	–	(12,511)
At 31 December 2019	**126,783**	**26,302**	**23,636**	**57,263**	**10,674**

The capital reserve arising on investments sold is distributable. The amount of the capital reserve that is distributable is complex to determine and is not necessarily the full amount of the reserve as disclosed within these financial statements of £18,093,000 as at 31 December 2020 (2019: £23,636,000). The portion of the capital reserve arising on revaluation of investments held is wholly non-distributable.

The revenue reserve is distributable. The amount of the revenue reserve that is distributable is not necessarily the full amount of the reserve as disclosed within these financial statements of £8,991,000 as at 31 December 2020 (2019: £10,674,000).

Notes to the Financial Statements (continued)

18 Net Asset Value per Ordinary Share (basic and diluted)

The net asset value per ordinary share is based on the net assets attributable to the ordinary shares of £211,371,000 (2019: £251,088,000) and on the 128,596,278 ordinary shares in issue at 31 December 2020 (2019: 128,596,278).

The movements during the year of the assets attributable to the ordinary shares were as follows:

	2020 £'000	2019 £'000
Net assets at start of year	251,088	210,788
Total net return after taxation	(26,999)	52,811
Dividends paid in the year	(12,718)	(12,511)
	211,371	**251,088**

19 Contingent Liabilities

There were no partly paid shares or underwriting commitments or any other contingent liabilities at 31 December 2020 (2019: nil).

20 Net Debt Reconciliation

	Cash and cash equivalents £'000	**Bank loans and overdraft repayable within one year £'000**	**Other debt repayable after more than one year £'000**	**Total £'000**
Net debt as at 1 January 2020	2,701	(37,967)	(19,829)	(55,095)
Cash flows	(2,881)	8,463	–	5,582
Exchange movements	775	(368)	–	407
Non cash flow:				
Effective interest movements	–	–	(11)	(11)
Net debt as at 31 December 2020	**595**	**(29,872)**	**(19,840)**	**(49,117)**

	Cash and cash equivalents £'000	Bank loans and overdraft repayable within one year £'000	Other debt repayable after more than one year £'000	Total £'000
Net debt as at 1 January 2019	2,581	(40,468)	(19,821)	(57,708)
Cash flows	76	1,847	–	1,923
Exchange movements	44	654	–	698
Non cash flow:				
Effective interest movements	–	–	(8)	(8)
Net debt as at 31 December 2019	**2,701**	**(37,967)**	**(19,829)**	**(55,095)**

21 Transactions with Janus Henderson and Related Parties

Under the terms of an agreement effective from 22 July 2014 the Company has appointed wholly owned subsidiaries of Janus Henderson to provide investment management, accounting, administrative and company secretarial services. Janus Henderson has contracted with BNP Paribas Securities Services to provide accounting and administration services. Details of the management fee arrangements for these services are given in the Strategic Report on page 27.

The total fees paid or payable under this agreement to Janus Henderson in respect of the year ended 31 December 2020 were £1,430,000 (2019: £1,439,000), of which £708,000 was outstanding as at 31 December 2020 (2019: £357,000).

In addition to the above, Janus Henderson facilitates marketing activities with third parties which are recharged to the Company. Please refer to the Directors' Remuneration Report on page 52 and in Note 6 on page 74 for details of fees paid to the directors.

22 Subsequent Events

Since the year-end, the Board announced a first interim dividend of 2.475p per ordinary share, in respect of the year-ending 31 December 2021. This will be paid on 30 April 2021 to holders registered at the close of business on 6 April 2021. This dividend is to be paid from the Company's revenue account. The Company's shares will become ex-dividend on 1 April 2021.

Additional Shareholder Information

Glossary

Alternative Investment Fund Managers Directive (AIFMD)

Agreed by the European Parliament and the Council of the European Union and adopted into UK legislation, the AIFMD classifies certain investment vehicles, including investment companies, as Alternative Investment Funds (AIFs) and requires them to appoint an Alternative Investment Fund Manager (AIFM) and Depositary to manage and oversee the operations of the investment vehicle. The Board of the Company retains responsibility for strategy, operations and compliance and the directors retain a fiduciary duty to shareholders.

Association of Investment Companies (AIC)

The Company is a member of the AIC which is the trade body for investment companies and represents the industry in relation to various matters which impact the regulation of such entities.

Benchmark

An index against which performance is compared. For the Company this is a composite of 80% of the FTSE All-Share Index (total return) and 20% of the ICE BofAML Sterling Non-Gilts Index (total return) and is rebalanced annually.

Compounding

Compounding is the process whereby interest is credited to an existing principal amount as well as to interest already paid.

Custodian

The Custodian is responsible for ensuring the safe custody of the Company's assets and that all transactions in the underlying holdings are transacted in an accurate and timely manner.

Depositary

As an AIF the Company is required to appoint a Depositary which has responsibility for overseeing the operations of the Company, including safekeeping, cash monitoring and verification of ownership and valuation of the underlying holdings and is responsible for the appointment of a Custodian. The Depositary is strictly liable for the loss of any investments or other assets in its custody unless it has notified that it has discharged its liability in certain markets.
The Depositary has confirmed that it has not discharged liability in relation to any of the Company's assets.

Derivative

A contract between two or more parties in relation to an underlying security. The value of a derivative will fluctuate in accordance with the value of the security and is a form of gearing as the fluctuations in value are usually greater than the fluctuations in the underlying security's value. Examples of derivatives are put and call options, swap contracts, futures and contracts for difference.

Dividend Dates

When declared or announced, each dividend will have three key dates applied to it. The payment date is the date on which shareholders will receive their dividend, either by BACS transfer or by receipt of a dividend cheque. The record date applied to the dividend is used as a cut-off for the Company's Registrars to know which shareholders should be paid a dividend. Only shareholders on the register of members at the close of business on the record date will receive the dividend. The ex-dividend date is the business day before the record date and is the date upon which the Company's net asset value per share and share price will be disclosed ex-dividend

Effective Interest Rate Method

The effective interest rate is a method used by a bond buyer to calculate the total yield to maturity including any capital loss if the bond is purchased above par, or capital gain if purchased at a discount to par.

Geometric Returns

A method for aggregating percentage returns over a holding period to include the impact of compounding.

Investment Trusts

Investment trusts are public limited companies, listed on the London Stock Exchange, which provide shareholders with a professionally managed portfolio of investments. Investment trusts are exempt from tax on the capital gains arising on their investments subject to meeting certain criteria. Income, net of expenses and tax, is substantially distributed to shareholders. Investment trusts are also known as investment companies although the tax legislation retains the reference to investment trusts.

Liquidity

In the context of the liquidity of shares in the stock market, this refers to the availability of buyers in the market for the share in question. Where the market in a particular share is described as liquid that share will be in demand and holders wishing to sell their shares should find ready buyers. Conversely, where the market in a share is illiquid the difficulty of finding a buyer will tend to depress the price that might be negotiated for a sale.

Market Capitalisation

The market value of a company calculated by multiplying the mid-market price per share by the number of shares in issue.

Mid-Market Price

The middle (or mid) market price is the price between the best offered price and the best bid price. It can simply be defined as the average of the current bid and offer prices being quoted.

Treasury Shares

Shares repurchased by the Company but not cancelled.

Alternative Performance Measures (Unaudited)

The Company uses the following Alternative Performance Measures (APMs) throughout the Annual Report and financial statements and notes to the financial statements. The APMs are reconciled to the financial statements through the narrative. below. The Board believes that each of the APMs, which are typically used within the investment trust sector, provide additional useful information to shareholders to help assess the Company's performance against its peer group.

Discount or Premium to NAV

The NAV per ordinary share used in this calculation is the NAV published to the London Stock Exchange and by the AIC with interim dividends deducted on the corresponding ex-dividend date and with debt at fair value, as defined below.

The amount by which the market price per share of an investment trust is either higher (premium) or lower (discount) than the NAV per ordinary share, expressed as a percentage of the NAV per ordinary share.

	NAV pence	Share price pence	Premium to NAV %
At 31 December 2020	157.25	147.00	(6.52)
At 31 December 2019	189.76	191.75	1.05

Gearing/(Net Cash)

Gearing means borrowing money to buy assets with the expectation that the return on investments bought will exceed the interest cost of the borrowings. The gearing percentage reflects the amount of borrowings (e.g. bank loans, overdrafts and debt securities) the Company has used to invest in the market and also takes into account the exposure to hedging and derivatives which have a gearing effect. It is calculated by taking the difference between total investments (see note 11 on page 76) and equity shareholders' funds (see Statement of Financial Position) and dividing by equity shareholders' funds and multiplying by 100.

		2020	2019
Investments held at fair value through profit or loss (£'000) (page 76)	(A)	259,844	305,064
Net assets (£'000) (page 68)	(B)	211,371	251,088
Gearing (C = A / B -1) (%)	(C)	22.9	21.5

NAV per Ordinary Share

The value of the Company's assets (i.e. investments (see note 11 on page 76) and cash held less any liabilities (i.e. bank loans (see note 13 on page 76) for which the Company is responsible divided by the number of shares in issue (see note 16 on page 82). The aggregate NAV is also referred to as total shareholders' funds in the Statement of Financial Position on page 68. The NAV per share is published daily and the year-end NAV can be found on page 6 and further information is available in note 18 on page 82. The Company currently publishes two NAVs, one with debt at par and the other with debt at fair value. Both are published daily. The NAV published to the London Stock Exchange and by the AIC will deduct interim dividends on the corresponding ex-dividend date. The NAV in the Company's accounts will deduct the interim dividends on the corresponding dividend payment date.

NAV per Ordinary Share (with debt at fair value)

The Company's debt (loan and senior unsecured note (further details can be found in note 13 and note 14 on page 76) is valued in the Statement of Financial Position on page 68 at amortised cost, which is materially equivalent to the repayment value of the debt on the assumption that it is held to maturity. This is often referred to as 'debt at par'. The fair value of the debt, which assumes it is repaid under current market conditions, is referred to as 'debt at fair value'. The fair value methodology is detailed in note 15.4 on page 80. The difference between fair and par values of the debt is subtracted from or added to the Statement of Financial Position to derive the NAV (with debt at fair value).

Alternative Performance Measures (Unaudited)

(continued)

Ongoing Charge

The ongoing charges ratio has been calculated in accordance with the guidance issued by the AIC as the total investment management fees and administrative expenses and expressed as a percentage of the net asset values throughout the year.

	2020 £'000	2019 £'000
Management fees	1,430	1,439
Other administrative expenses (note 6)	483	405
Less: non-recurring expenses	(57)	(14)
Ongoing charge	**1,856**	**1,830**
Average net assets[1]	**199,122**	**230,053**
Ongoing charge ratio	**0.93%**	**0.80%**

1 Calculated using the average daily net asset value (with debt at fair value)

The ongoing costs provided in the Company's Key Information Document (KID) is calculated in line with the PRIIPs regulations. The ongoing costs in the KID includes finance costs and look through to costs incurred by other investment trusts and funds that the Company invests in.

Total Return

The total return on the share price or NAV (with debt at fair value) takes into account both the rise and fall of NAVs/share prices and dividends paid to shareholders. Any dividends received by a shareholder are assumed to have been reinvested in either additional shares (for share price total return) or the Company's assets (for NAV with debt at fair value total return). Dividends paid and payable are set out in note 10 on page 75.

	NAV (with debt at fair value)	Share price
NAV/share price per share at 31 December 2019 (pence)	189.76	191.75
NAV/share price per share at 31 December 2020 (pence)	157.25	147.00
Change in the year (%)	(17.1)	(23.3)
Impact of dividends reinvested (%)	6.9	7.5
Total return for the year (%)[1]	**(11.4)**	**(17.6)**

1 Geometric returns

Income/Dividend Yield

The yield is the annual dividend (paid or announced for the year) expressed as a percentage of the year-end share price.

		31 December 2020	31 December 2019
Annual dividend (pence)	(A)	9.90	9.80
Share price (pence)	(B)	147.00	191.75
Yield (C=A/B) (%)	(C)	6.7	5.1

General Shareholder Information

AIFMD Disclosures

In accordance with the Alternative Investment Fund Managers Directive (AIFMD), information in relation to the Company's leverage and remuneration of Janus Henderson, as the Company's Alternative Investment Fund Manager (AIFM) is required to be made available to investors. These disclosures, including those on the AIFM's remuneration policy, are contained in a separate document (AIFMD Disclosure) which can be found on the Company's website: **www.hendersonhighincome.com**.

BACS

Dividends can be paid by means of BACS (Bankers' Automated Clearing Services); mandate forms for this purpose are available from the Registrar, Computershare Investor Services PLC. Alternatively, shareholders can write to the Registrar (the address is given on page 90) to give their instructions; these must include the bank account number, the bank account title and the sort code of the bank to which payments are to be made.

Common Reporting Standard

Tax legislation under The Organisation for Economic Co-operation and Development Common Reporting Standard for Automatic Exchange of Financial Account Information was introduced with effect from 1 January 2016. The legislation requires the Company to provide personal information to HMRC on certain investors who purchase shares in investment trusts. This information is provided annually to the local tax authority of the tax residencies of a number of non-UK based certificated shareholders and corporate entities.

Equality Act 2010

Copies of this Annual Report and other documents issued by the Company are available from the Corporate Secretary. If needed, copies can be made available in a variety of formats, including Braille, audio tape or larger type as appropriate.

You can contact the Registrar, which has installed textphones to allow speech and hearing impaired people who have their own textphone to contact them directly, without the need for an intermediate operator by dialling 0370 702 0005. Specially trained operators are available during normal business hours to answer queries via this service.

Alternatively, if you prefer to go through a 'typetalk' operator (provided by the Royal National Institute for Deaf People) dial 18001 followed by the number you wish to dial.

Foreign Account Tax Compliance Act (FATCA)

FATCA is a United States federal law enacted in 2010 whose intent is to enforce the requirement for United States persons (including those living outside the U.S.) to file yearly reports on their non-U.S. financial accounts. As a result of HMRC's change of interpretation on the meaning of shares and securities 'regularly traded on an established securities market', investment trusts now need to monitor each year the trading volume and frequency of their shares and securities to assess whether they have financial accounts. The Company therefore needs to make an annual assessment, before the FATCA return is due, to determine if the shares represent financial accounts and, where they do, will need to identify and report U.S. reportable accounts to HMRC, as required.

General Data Protection Regulation (GDPR)

GDPR came into force on 25 May 2018. A privacy statement can be found on the website **www.janushenderson.com**.

ISA

The Company intends to continue to manage its affairs in order to qualify as an eligible investment for a stocks and shares ISA.

Non-Mainstream Pooled Investments (NMPI) Status

The Company currently conducts its affairs so that its ordinary shares of 5p each can be recommended by IFAs to ordinary retail investors in accordance with the FCA rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

Packaged Retail and Insurance-based Investment Products Regulation (PRIIPs)/Key Information Document (KID)

Investors should be aware that the PRIIPs Regulation requires the Manager, as the PRIIP manufacturer, to prepare a key information document in respect of the Company. This KID must be made available by the Manager to retail investors prior to them making any investment decision and is available on the Company's website. The Company is not responsible for the information contained in the KID and investors should note that the procedures for calculating the risks, costs and potential returns are prescribed by the law. The figures in the KID may not reflect the expected returns for the Company and anticipated performance returns cannot be guaranteed.

General Shareholder Information (continued)

Performance Details/Share Price Information

Details of the Company's share price and NAV per share can be found on the website www.hendersonhighincome.com. The Company's NAV is published daily.

The market price of the Company's ordinary shares is published daily in the Financial Times and the Daily Telegraph, which also show figures for the estimated net asset value per share.

The market price of the Company's shares can be found in the London Stock Exchange Daily Official List.

Shareholder Details

Shareholders who hold their shares in certificated form can check their shareholding with the Registrar, Computershare Investor Services PLC, via www.computershare.com. Please note that to gain access to your details on the Computershare site you will need the holder reference number shown on your share certificate.

Warning to Shareholders

Many companies are aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. They can be very persistent and extremely persuasive. Shareholders are therefore advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

Please note that it is very unlikely that either the Company or the Company's Registrar, Computershare Investor Services PLC, would make unsolicited telephone calls to shareholders and that any such calls would relate only to official documentation already circulated to shareholders and never in respect of investment 'advice'.

If you are in any doubt about the veracity of an unsolicited phone call, please call the Corporate Secretary on 020 7818 1818.

Corporate Information

Registered Office

201 Bishopsgate
London
EC2M 3AE
Telephone: 020 7818 1818

Service Providers

Alternative Investment Fund Manager

Henderson Investment Funds Limited
201 Bishopsgate
London
EC2M 3AE

Corporate Secretary

Henderson Secretarial Services Limited
201 Bishopsgate
London
EC2M 3AE
Telephone: 020 7818 1818
Email: support@janushenderson.com

Depositary and Custodian

HSBC Bank plc
8 Canada Square
London
E14 5HQ

Stockbrokers

JPMorgan Cazenove Limited
25 Bank Street
London
E14 5JP

Registrar

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ
Telephone: 0370 707 1039
Email: web.queries@computershare.co.uk

Investors with share certificates (i.e. not those in a share plan or ISA) can check their holdings at **www.computershare.com**.

Independent Auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Financial Calendar

Annual General Meeting	Monday 24 May 2021
First interim dividend payment	Friday 30 April 2021
Second interim dividend payment	Friday 30 July 2021
Third interim dividend payment	Friday 29 October 2021
Fourth interim dividend payment	Friday 28 January 2022
Half year results announced	September 2021
Senior unsecured note interest payment dates	8 July 2021 8 January 2022

Information Sources

For more information about the Company, visit the website at **www.hendersonhighincome.com**.

Follow Janus Henderson Investment Trusts on Twitter, YouTube and Facebook

Investing

Shares can be purchased in the market via a stockbroker or through share dealing platforms. They can also be held through share plans, ISAs or pensions and links to various providers are included on the website.

Potential investors are reminded that the value of investments and the income from them may go down as well as up and investors may not receive back the full amount invested. Tax benefits may vary as a result of statutory changes and their value will depend on individual circumstances.

Nominee Share Code

Where notification has been provided in advance, the Company will arrange for copies of shareholder communications to be provided to the operators of nominee accounts. Nominee investors may attend general meetings and speak at them when invited to do so by the Chairman.

Henderson High Income Trust plc
Registered as an investment company in England and Wales
with registration number 02422514
Registered office: 201 Bishopsgate, London EC2M 3AE

SEDOL number: 0958057
ISIN number: GB0009580571
London Stock Exchange (TIDM) Code: HHI

Global Intermediary Identification Number (GIIN): JBA08I.99999.SL.826
Legal Entity Identifier Number (LEI): 213800OEXAGFSF7Y6G11

Telephone: **020 7818 1818**
Email: **support@janushenderson.com**

www.hendersonhighincome.com

MANAGED BY
Janus Henderson
INVESTORS

aic
The Association of
Investment Companies

PREMIUM MAIN MARKET
LONDON STOCK EXCHANGE

moneywise Investment Trust awards 2017
WINNER
INVESTMENT TRUST GROUP OF THE YEAR
Henderson Global Investors

INVESTMENT WEEK
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